

Policy Statement

PS26/3

Motor Finance Consumer Redress Scheme

March 2026

This relates to

Consultation Paper 25/27 which is available on our website at www.fca.org.uk/publications

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Chapter 1

Summary

- 1.1** Last Autumn we consulted on an industry-wide redress scheme to compensate motor finance customers who were treated unfairly between 2007 and 2024.
- 1.2** This followed judgments in the Supreme Court and High Court and our review of motor finance agreements. It is evident that firms broke laws and rules in force at the time by failing to disclose important information to customers.
- 1.3** Most respondents to our consultation agreed that an industry-wide scheme, free for consumers to use, would be the best way to make sure consumers receive redress in a consistent and efficient way, while ensuring a well-functioning market.
- 1.4** We will therefore go ahead with a scheme. From the outset, we said that the design of a scheme would be guided by a set of principles: comprehensiveness, fairness, certainty, simplicity and cost effectiveness, timeliness, transparency and market integrity. We highlighted that there may be tensions between these and that feedback would be vital in helping us strike the right balance.
- 1.5** We had over 1,000 responses, including many from consumers who voiced strong support for the scheme. We had more detailed responses from consumer groups, lenders, brokers, investors, motor manufacturers, trade bodies and professional representatives and we engaged directly with many of these. We also set up a room where people could come in person to access data to inform their response.
- 1.6** Unsurprisingly, there were many conflicting views on the details of the proposed scheme. Among the views expressed, consumer voices raised concerns that the amount of redress was not enough. Firms said that, in some instances, we would be compensating for loss not incurred. Both groups made suggestions about how the consumer journey could be simpler and the need to counter fraud.
- 1.7** We have listened. We have made changes to balance sometimes competing principles such as simplicity and cost effectiveness, comprehensiveness and fairness. In doing so we have carefully weighed the data we have alongside our judgement about the most fair and proportionate solution. This means that on specific features within the scheme, we have taken different approaches, for example to percentile outliers or annual as opposed to multi-year approaches. This is because we have considered each feature on its merit and designed it specifically to achieve its purpose relative to the context in which it operates.
- 1.8** The core tests for compensation remain the same. However, we have tightened the eligibility criteria so only those treated unfairly are compensated. We have improved how compensation is calculated to better reflect loss, while respecting the Supreme Court judgment. And we have improved how the scheme operates so consumers are compensated quickly, and in a way that's more cost-effective for firms to deliver.

- 1.9** We summarise below how the final scheme will work. Table 2 sets out the key changes we have made and why.
- 1.10** The final scheme is fair to consumers and proportionate for firms. It will put £7.5bn back in people's pockets, with millions of claims paid out this year and the vast majority settled by the end of 2027. And it will provide firms and investors with certainty and finality to support the long-term availability of competitively priced motor finance.
- 1.11** This is an opportunity to draw a line under the failings of the past and support a healthy motor finance market for the future. Everyone now needs to get behind it – payouts must not be delayed any longer.

Comprehensiveness

- 1.12** Our first principle is that we should cover as wide a range of cases as possible so consumers don't have to go elsewhere, like court.
- 1.13** Firms owe liabilities from 6 April 2007, so motor finance agreements taken out from that date will be considered for the scheme.
- 1.14** If the scheme did not cover relevant agreements dating back to 2007, complaints would have to be dealt with by firms, through the Financial Ombudsman Service (Financial Ombudsman) or the courts. This would result in much higher administrative and legal costs for firms and consumers, lengthy delays and uncertain outcomes for all involved.
- 1.15** We have the powers to include agreements before 2014. However, this was questioned by some respondents.
- 1.16** So, we will implement 2 schemes:
- 6 April 2007 – 31 March 2014 (Scheme 1)
 - 1 April 2014 – 1 November 2024 (Scheme 2)
- 1.17** This means if the earlier period is subject to legal challenge, redress for consumers with agreements from April 2014 shouldn't be delayed.

Success measures:

- Most eligible consumers choose to use the scheme, rather than take their claim to court.
- Pre 2014 cases are handled through the scheme, reducing the volume of cases requiring court or Financial Ombudsman determination.

Fairness and timeliness

- 1.18** Any scheme should make sure that both the approach to determining liability and calculating redress are fair to consumers and firms.
- 1.19** We also said that a scheme should resolve the majority of claims within a reasonable timeframe. In making final decisions, we have been mindful that millions of consumers have already complained and some have been waiting over 2 years for resolution.

Eligibility

- 1.20** A relationship will be presumed unfair where it involves inadequate disclosure of 1 or more of the following:
- Discretionary commission arrangement (DCA) – where the broker could adjust the interest rate offered to a customer to obtain a higher commission.
 - A high commission arrangement (39% of the total cost of credit and 10% of the loan).
 - Contractual ties that gave a firm exclusivity or a right of first refusal, except where the lender can prove there were visible links between the lender, manufacturer, and franchised dealer.
- 1.21** There will be some exceptions, with cases considered fair, if:
- The commission was £120 or less for agreements beginning before 1 April 2014 and £150 or less after that date. Commission amounts below those levels are unlikely to have influenced the consumer's decision or broker's behaviour.
 - The borrower wasn't charged interest.
 - The DCA wasn't used to earn additional commission.
 - The lender can prove it was fair not to disclose one of the arrangements above or that the consumer did not suffer any loss. This includes if a tie wasn't operated in practice or no better deal was available.
- 1.22** Consumers who have had their complaint considered by the Financial Ombudsman, had their claim determined by a court or accepted redress will be excluded from the scheme. Further, claims for high value loans (higher than 99.5% of other loans that year), are excluded as they are not suitable for a mass market scheme such as this. Consumers who took out these high value loans can still complain to their lender and, if not satisfied, the Financial Ombudsman.

- 1.23** Consumers generally have 6 years from the end of their agreement to bring a legal claim. However, that period is likely to be extended where information about the commission arrangements was deliberately concealed, and does not start to run until the consumer could reasonably have discovered it. We do not expect firms to routinely find that cases are out of time to be considered for the scheme, given how poor disclosure was over this period. However, we recognise the right of firms to exclude agreements only involving high commission and ending before 26 March 2020 where they can evidence that commission being payable was clearly and prominently disclosed, even if the amount was not disclosed. If firms rule consumers out of the scheme as they consider them out of time, they must inform them and explain why. The consumer can object and, if unresolved, challenge this with the Financial Ombudsman.
- 1.24** Consumers whose arrangement is deemed fair can ask the Financial Ombudsman to review their case, but they would only get a different outcome if it decides the scheme rules weren't followed. They could still make a claim in court.
- 1.25** 12.1 million agreements are estimated to be eligible, down from an estimated 14.2 million at the time of our consultation proposals.

Calculating redress

- 1.26** The small number of consumers whose cases align closely with the *Johnson* case considered by the Supreme Court will receive redress of commission plus interest. We define these as cases involving an undisclosed contractual tie and/or DCA, and commission of at least 50% of the total cost of credit and 22.5% of the loan.
- 1.27** For all other cases, consumers will receive the average of estimated loss and the commission paid, plus interest (the hybrid remedy). The estimated loss is based on economic analysis that shows there was a difference in the APR on DCA loans compared to those with flat fee arrangements. Following feedback, we have enhanced our analysis, incorporating more agreement data and covering a longer period of 2017-2021. We estimate average loss to be equivalent to an APR adjustment of 17% for this period. This adjustment will be applied to cases from 1 April 2014.
- 1.28** Firms have advised that the availability of pre-2014 data is limited. Collecting such data risks delaying compensation for consumers and certainty for firms with no guarantee it would materially improve any estimate of loss.
- 1.29** Feedback and supporting evidence from respondents indicates that more harmful forms of DCA were more prevalent in earlier years. Our own analysis, set out in Chapter 11, shows that differences between average DCA and non-DCA APRs were also larger during this period, indicating greater financial loss.

- 1.30** We have set the APR adjustment at 21% for Scheme 1 cases. This is a bounded regulatory judgement representing the mid-point between lower and upper bounds of 17% and 26%. We consider 17% to be a conservative estimate that is likely to understate loss in earlier years. An APR adjustment of 26% is the point at which hybrid remedy redress amounts, on average, to commission repayment redress. Commission repayment is reserved for cases closely aligned with *Johnson*, and represents the upper bound of redress outcomes under the scheme. The difference between APR-17% and APR-21% results in an increase to average redress of £31 per agreement for pre 2014 cases.
- 1.31** In the interests of operational simplicity, we are also using these APR adjustments as proxies for loss in the minority of cases that didn't involve a DCA, but involved high commission or a tie.
- 1.32** In around 1 in 3 cases receiving the hybrid remedy, redress will be capped at the lowest of:
- 90% of commission plus interest.
 - The total cost of credit, adjusted to account for a minimal cost offered to only 5% of the market at the time, excluding 0% APR deals.
 - The actual cost of credit, calculated on a simpler basis. This may be the lower figure if the adjusted cost of credit can't be accurately calculated, for example, if the lender doesn't have the payment schedule.
- 1.33** The caps ensure consumers receiving the hybrid remedy are not compensated more than had they been treated fairly or than those who suffered the most unfairness. About 64,000 agreements, where borrowers paid an interest rate lower than 95% of the market at the time, excluding 0% deals, will not receive redress.
- 1.34** Simple interest will be paid on redress, based on the annual average Bank of England base rate per year plus 1% from the date of overpayment or the date the commission was paid to the date compensation is paid. Following feedback, we have increased the minimum interest rate consumers receive for any year to 3%. Consumers will not be able to challenge the rate they get.
- 1.35** We now estimate average redress payment per agreement will be around £830, up from £695 under our consultation proposals.

Success measures:

- Scheme deadlines are met and consumers are paid fair redress within the specified timeframes.
- Consumers in similar situations receive consistent outcomes.

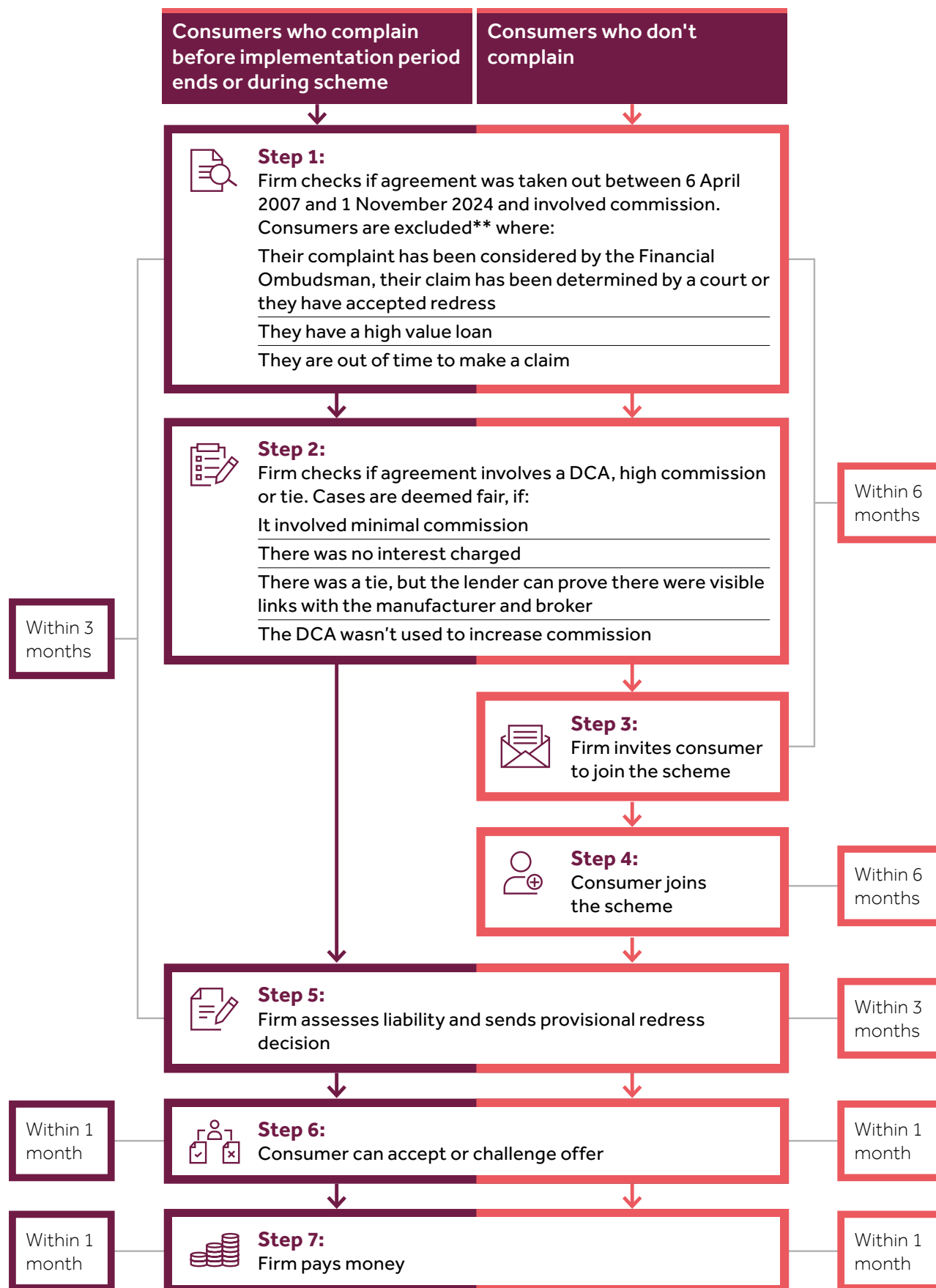
Simplicity and cost effectiveness

- 1.36** We also had a guiding principle that the scheme should be easy for consumers to participate in and the cost of delivering the scheme should be proportionate.
- 1.37** There will be an implementation period so firms can prepare and meet the deadlines set. Firms will have up to:
- 30 June 2026 for loans taken out from 1 April 2014.
 - 31 August 2026 for those agreed earlier.
- 1.38** People who have already complained or who complain before the end of the relevant implementation period will be compensated sooner. Lenders will have 3 months from the end of the implementation period to let those who've complained know whether they're owed compensation and how much.
- 1.39** Firms will only have to contact people who haven't complained if they are potentially owed money, avoiding unnecessary and costly communication with customers not owed redress. Firms have 6 months from the end of the relevant implementation period to do so. Consumers must respond within 6 months if they wish to join the scheme. Concerned consumers who are not contacted can still complain to their firm by 31 August 2027.
- 1.40** Firms can use a range of channels to contact consumers. In line with the Consumer Duty, firms must consider customer needs, particularly vulnerable consumers.
- 1.41** We estimate 75% of eligible consumers will take part. Non-redress costs to firms are now estimated to be £1.6bn, down by over 40% since our consultation. The approach also supports our principle of resolving the majority of claims within a reasonable timeframe.

Success measures:

- Consumers find it easy to take part.
- Firms avoid unnecessary costs from contact with consumers not owed redress.

Figure 1: Overview of how the scheme works*



* 'Steps' are used for explanatory purposes in this diagram only and do not correspond to the scheme steps set out in the rules.

** Other exclusions apply.

Transparency

- 1.42** We are standing up a dedicated supervisory team, led by a Director. We will supervise firms closely to make sure they follow the rules, including assessing whether any exclusions of consumers have been applied appropriately. We will intervene if firms fail to comply, including using enforcement powers if necessary. Firms' senior managers will be required to attest to having taken responsibility for the firm's overall oversight and delivery of the scheme.
- 1.43** Firms will have to report regularly so we can closely monitor compliance, and we will publish updates to support confidence in the scheme.
- 1.44** Consumers can refer their case to the Financial Ombudsman, if they think the firm has failed to follow scheme rules.
- 1.45** To help prevent fraud, firms will be required to consistently use a unique reference number in communications with individual consumers or their representatives. These can only be delivered by secure channels that meet customers' needs. Firms will also be required to provide a standardised factsheet on first contact with the consumer.
- 1.46** We have launched a dedicated phone line and provide a list of participating firms on our website so consumers can check whether a communication is genuine. We are also running an information campaign to warn consumers of potential fraud.

Success measures:

- Consumers receive clear explanations of decisions, with low levels of Financial Ombudsman referrals where the Financial Ombudsman reaches the same outcomes under the scheme rules.
- Firms report complete and accurate data on time, enabling effective monitoring and timely intervention where required.

Certainty and market integrity

- 1.47** Finally, we said that any scheme should provide certainty, giving consumers and firms finality, and support the ongoing, long-term availability of high quality, competitively priced motor finance.
- 1.48** We believe the updated scheme is the best way to achieve that. Millions of cases will be dealt with this year and nearly all cases should be resolved by the end of 2027. We estimate the costs to lenders of dealing with complaints would be over £6bn more in the absence of any redress scheme. Many lenders have already taken extensive provisions in preparation for the scheme.
- 1.49** Based on an estimated 75% participation rate, we estimate firms will pay redress of £7.5bn. Including non-redress costs, the total bill to firms is an expected £9.1bn, almost 20% lower than estimated in our consultation.
- 1.50** In our consultation we set out indicative redress liabilities and non-redress costs. We have since refined our methodology and modelling and incorporated further firm data into our modelling. We set out below updated estimates under our proposals, compared to under our final rules. These are based on the data available and certain assumptions have been made in the modelling to, for example, address data quality issues.

Figure 2: Estimated redress liabilities and non redress costs

	 Consultation proposals	 Consultation proposals, updated	 Final policy
Redress at estimated uptake	£8.2bn (85% uptake)	£9.3bn (75% uptake)	£7.5bn (75% uptake) *
Non redress costs	£2.8bn	£2.5bn	£1.6bn
Total (at estimated uptake)	£11bn	£11.8bn	£9.1bn
 Redress liabilities (100% uptake)	£9.7bn	£12.5bn	£10.0bn
 Eligible agreements	14.2m	16.8m	12.1m
 Average redress per agreement	£695	£775	£829

Figures rounded to 1 decimal place.
 Eligible agreements based on 100% uptake.
 The average redress per agreement is based on our 89% sampling approach. All other figures are based on 100%.
 *The 75% uptake rate on the final figure is based on a weighted average of uptake rates across the 2 Schemes. Scheme 1 has an assumed uptake rate of 72%, and Scheme 2 has an assumed uptake rate of 76%.

- 1.51** The motor finance market has continued to attract investment and function well since we announced we intended to introduce the proposed scheme. Share prices of affected UK listed lenders increased by a range of 2.1% to 29.7% in the 2 weeks following the Supreme Court judgment and generally continued to rise steadily until the recent conflict in the Middle East. There have been 5 public securitisations of UK automotive loans since September 2025. New car sales in February 2026 reached a 22-year high and a record £41bn was lent on motor finance in 2025, 6% up on 2024.
- 1.52** We have updated our analysis of the scheme's potential market impact. We conclude there will be limited impact on the new car finance market.
- 1.53** Changes we have made to how the scheme operates, such as removing the need to write to all customers, will benefit sub-prime and smaller lenders by ensuring the scheme is cost-effective to deliver. While there may be some short-term effects in the used and sub-prime segments, these are expected to be modest, with lending volumes replaced over time.
- 1.54** Overall, we anticipate continued availability of motor finance and strong competition among lenders. Without a scheme, the impacts on access to motor finance and prices for consumers could be significantly higher with uncertainty continuing for many more years.

Success measures:

- Complaints are resolved consistently and efficiently, reducing uncertainty for consumers and firms.
- The scheme helps maintain market integrity by reducing protracted litigation.

Table 1: Key changes since consultation

Topic	Final position	Why	Further information
Tighter eligibility			
Scheme period	Two schemes: • 6 April 2007 – 31 March 2014 • 1 April 2014 – 1 November 2024	Liabilities exist from 2007. If the scheme does not cover these, they would have to be dealt with by firms, the Financial Ombudsman, or the courts. We have the power, but some have questioned this. Implementing 2 schemes means, if challenged on this point, redress for consumers with agreements from 2014 shouldn't be delayed.	Chapter 2, page 36
Out of scope: high value loans	Loan values higher than 99.5% of other loans (rounded to the nearest £1,000) that year are out of scope of the scheme. Consumers can still complain to the lender, and if necessary, Financial Ombudsman. Agreements used to purchase vehicles built or modified for accessibility purposes remain in the scheme regardless of loan value.	Claims relating to high value loans are not suitable for a scheme designed for mass-market products.	Chapter 4, page 65
Out of scope: civil limitation	Guidance recognises the right of firms to exclude high commission cases only, ending before 26 March 2020 where they can evidence that commission being payable was clearly and prominently disclosed, even if the amount itself was not disclosed.	In high commission only cases, a prominent disclosure gives the consumer the opportunity to discover the amount of commission and bring their claim. Meaning standard time limits would apply. The same cannot be said for cases with an undisclosed DCA and/or a tied arrangement, where merely disclosing the fact/possibility of commission is unlikely to be enough to prompt the consumer to make enquiries and discover the nature of the arrangements.	Chapter 4, page 69
Exception: tied arrangements	Where lenders can evidence there were visible links between the lender, manufacturer, and franchised dealer, it will be considered fair.	Following extensive review of the evidence provided to us, we conclude that prominent and consistent use of the same branding between the lender, manufacturer and franchised dealer means it was possible for a consumer to recognise the relationship between them. So, failure to disclose the tie was not unfair.	Chapter 5, page 101

Topic	Final position	Why	Further information
Exception: small commissions	Arrangements with commission of £120 or less for agreements before 1 April 2014 and £150 from 1 April 2014 will be considered fair.	Commission at or below these levels is unlikely to have influenced the broker's or consumer's behaviour.	Chapter 5, page 93
Exception: zero APRs	Agreements with zero-APRs will be considered fair.	Unlikely, even with adequate disclosure, consumers getting a zero-APR deal would have negotiated or shopped around for a better deal.	Chapter 5, page 97
Rebuttal: non-operative tied arrangement	New rebuttal where firms can rebut the presumption of unfairness if they can demonstrate a tied arrangement was not operated in practice. The rules set out evidence likely to be required but firms can put forward other reasonable proof.	No unfairness where firms can evidence the tied arrangement had no impact on the broker's decision.	Chapter 10, page 180
Rebuttal: no better deal	This rebuttal remains, with changes to allow more flexibility in how firms evidence there was no loss as no better deal was available. We will closely supervise firms relying on this rebuttal.	The modified rebuttal will be more proportionate, workable and cost effective to implement.	Chapter 10, page 186
High commission	High commission set to at least 39% of the total cost of credit and 10% of the loan (rather than 35%/10%).	Further analysis confirms that higher commissions are associated with higher borrowing costs and so there are circumstances where the size of the commission should be disclosed. However, this analysis has not identified a specific threshold. We are instead using an approach that identifies cases that lie significantly beyond market norms. We have used our judgement to define high commission as agreements with commission rates above 85% of all cases.	Chapter 5, page 82

Topic	Final position	Why	Further information
Fairer remedy			
Hybrid remedy: estimated loss	Vast majority will be compensated average of estimated loss and commission paid, plus interest. Loss element of the remedy will depend on when agreement began: • Before 1 April 2014: an APR adjustment of 21% • From 1 April 2014: An APR adjustment of 17%	We estimate loss to be equivalent to an APR adjustment of 17% for 2017-2021 and apply it to cases from 1 April 2014. Firms have advised that the availability and quality of pre-2014 data is limited. Collecting such data risks delaying compensation for consumers and certainty for firms with no guarantee it would materially improve any estimate of loss. Feedback and supporting evidence from respondents suggested that more harmful forms of DCA were more prevalent in earlier years. Our own analysis, set out in Chapter 11, shows that differences between average DCA and non-DCA APRs were also larger during this period, indicating greater financial loss. We have set the APR adjustment at 21% for Scheme 1 cases. This is a bounded regulatory judgement representing the mid-point between lower and upper bounds of 17% and 26%. We consider 17% to be a conservative estimate of loss for earlier years. An APR adjustment of 26% is the point at which hybrid remedy redress (with the cost of credit caps applied) amounts, on average, to commission repayment redress. Commission repayment is reserved for cases closely aligned with <i>Johnson</i>, and represents the upper bound of redress outcomes under the scheme.	Chapter 11, page 198

Topic	Final position	Why	Further information
Caps	For consumers receiving the hybrid remedy, redress will be capped at lowest of: • 90% of commission plus interest • the total cost of credit, adjusted to account for a minimal cost offered to only 5% of the market at the time, excluding 0% APR deals • the actual cost of credit, calculated on a simpler basis – this may be the lower figure if the adjusted cost of credit can't be accurately calculated, for example, if the lender doesn't have the payment schedule Firms can settle early at any of these caps, except for cases eligible for the <i>Johnson</i> remedy.	The caps ensure consumers receiving the hybrid remedy are not compensated more than had they been treated fairly or than those who suffered the most unfairness.	Chapter 12, page 240
Johnson remedy	Cases with very high commission (at least 50% of the total cost of credit and 22.5% of the loan) and either a DCA, tie or both will be repaid commission plus interest (with no caps applied).	Similar cases to <i>Johnson</i> should receive the same remedy the Supreme Court awarded. It is consistent with the approach the Supreme Court took, to apply the same remedy to cases with very high commission and a DCA, whether or not a tie was present.	Chapter 11, page 200
Interest rate: amount	Simple interest will be paid on redress, based on the annual average Bank of England base rate per year plus 1%. We have introduced a floor so the minimum interest consumers receive is 3% in any year.	A 3% floor better reflects the borrowing cost consumers would have faced even in the low interest-rate environment that existed for much of the scheme period where borrowing rates sat significantly above the base rate. It also supports our comprehensiveness principle, reducing the risk that consumers may choose to pursue claims through the courts.	Chapter 11, page 219
Interest rate: rounding	We will no longer apply rounding.	Better reflects the annual average rate.	Chapter 11, page 222

Topic	Final position	Why	Further information
Interest rate: challenge	Consumers cannot rebut the compensatory interest rate.	Consumers would find it difficult to challenge and it would have imposed disproportionate operational costs on firms. Consumers now receive a minimum 3% interest in any year.	Chapter 11, page 224
Set-off	Lenders can only set-off redress against arrears and defaults on the motor finance agreement to which redress is owed, rather than any regulated credit agreement. Consumers will be able to object to set-off where the arrears or default sums are disputed or they have arrears on priority debts. Lenders still need consent to set-off redress against ongoing agreements not in arrears.	Fairer and more consistent outcome for consumers and balances the need for a scheme that is workable and can be operated at scale.	Chapter 11, page 230
Simpler processes			
Implementation period	Firms have an implementation period of up to 3 months before the scheme starts for agreements beginning from 1 April 2014, and up to 5 months for agreements starting before then. Firms can choose to process claims sooner.	An implementation period enables firms to prepare, so they operate the scheme effectively and ensure scheme deadlines are met. Provides time to set up FCA awareness campaign and consumer groups to get ready to support consumers through the scheme.	Chapter 7, page 115
Consumer communication: relevant arrangements	Rather than contacting all customers, firms only need to contact: • complainants • those with relevant arrangements, unless an exception applies • consumers with relevant arrangements, who they have excluded because of civil limitation	More proportionate and cost effective for firms. Avoids unnecessary, potentially confusing contact with consumers not owed redress. Concerned consumers who are not contacted can still complain to their firm by 31 August 2027.	Chapter 7, page 121
Consumer communication: recorded delivery	Firms are no longer required to use recorded delivery. They can use a range of channels that best meet consumers' needs with appropriate safeguards to prevent fraud.	More cost effective and proportionate for firms. Better meets consumer needs: 62% of motor finance holders prefer email over post ¹ .	Chapter 9, page 157

Topic	Final position	Why	Further information
Consumer communication: opt out	People who complain before the scheme starts will no longer be asked if they wish to opt out. Instead, within 3 months of the end of the implementation period, firms will tell them whether they're owed redress, and how much.	Consumers who have already complained do not need to confirm again that they want their case reviewed. Helps ensure claims are resolved in a reasonable timeframe.	Chapter 7, page 124
Consumer communication: redress offer	Consumers receiving a redress offer can accept it immediately, rather than receiving a provisional decision followed by a final redress determination.	Helps ensure claims are resolved in a reasonable timeframe.	Chapter 8, page 145

Figure 3: Redress scheme timings



Chapter 2

Why we are going ahead with a redress scheme

- 2.1** This chapter sets out why we have decided to use our power under section 404 of the Financial Services and Markets Act 2000 (FSMA) to make rules requiring firms to establish and operate consumer redress schemes. We are using this power in respect of disclosure failures relating to motor finance agreements.
- 2.2** Rather than the single scheme we consulted on, we will be setting up 2 separate schemes. Scheme 1 will cover motor finance agreements taken out between 6 April 2007 to and including 31 March 2014. Scheme 2 will cover agreements taken out between 1 April 2014 to and including 1 November 2024. We explain the reasons for this 2-scheme approach in more detail in the second part of this chapter.
- 2.3** It remains our view that the conditions in section 404 FSMA are satisfied in respect of the entire period and, therefore, for both schemes. We rely on the evidence and analysis included in Chapter 3 of CP25/27, as well as the additional evidence, further analysis, and careful consideration of consultation feedback below. Given the broad similarities between the two schemes, we generally refer to them collectively as 'the scheme', except where we need to distinguish between them.

The conditions in the section 404 FSMA statutory test

- 2.4** In summary, the conditions in section 404 FSMA are that:
- It appears to us that there may have been a widespread or regular failure by firms to comply with requirements applicable to the carrying on by them of any activity.
 - It appears to us that, as a result, consumers have suffered (or may suffer) loss or damage in respect of which, if a consumer brought legal proceedings, a court would grant a remedy or relief.
 - We consider that such a scheme is desirable for the purpose of securing that redress is made to the consumers in respect of the failure (having regard to other ways in which consumers may obtain redress).
- 2.5** In CP25/27, we made our assessment that in respect of the entire 2007-2024 period, the first 2 conditions – that it appeared to us there were widespread or regular failures to comply with requirements and that consumers had suffered (or may suffer) loss or damage – were met.
- 2.6** We said:
- When there is a DCA, high commission or a tied arrangement, the failure to adequately disclose those features is likely to have created an unfair relationship under section 140A of the Consumer Credit Act 1974 (CCA). There is strong evidence that there was widespread or regular failure to adequately disclose commission arrangements and tied arrangements in motor finance agreements.

- As a result of this unfair relationship, there is evidence consumers have suffered (or may suffer) the loss of the opportunity to negotiate lower borrowing costs or seek alternatives. Under section 140B CCA, where an agreement is found to be unfair, the courts have a power to provide remedies to the consumer. On this basis, we consider that the first 2 conditions in the statutory test required for the use of our powers under section 404(1)(a) and (b) FSMA are met.

2.7 On the third condition, we said that a scheme would be desirable because a scheme is the most appropriate way to deliver comprehensiveness, fairness and timeliness, certainty, simplicity and cost-effectiveness, transparency and market integrity.

2.8 We asked:

Question 1: Do you agree with our assessment that i) there were widespread or regular failures to disclose information about commission arrangements, ii) consumers have lost out as a result, and iii) a redress scheme is desirable? If not, please explain why

2.9 In respect of the conditions in sections 404(1) and 404A FSMA, when consulting on the proposed redress scheme we had regard to the relevant case law (including *Plevin*, *Clydesdale* and *Johnson*) and the regulatory rules and guidance that applied to lenders and brokers during the period that would be covered by the proposed scheme. Although we recognised that there have been some changes to these regulatory rules and guidance over time, our view was that the regulatory expectations around disclosure in this context have remained materially the same throughout the period in which the Office of Fair Trading (OFT) and then FCA provisions applied. Moreover, our view was that a court's approach to the assessment of unfairness under section 140A CCA, and the nature of the disclosure required for DCAs, high commission arrangements and tied arrangements, would have been materially the same since the unfair provisions came into force on 6 April 2007, even without the detailed regulatory rules.

2.10 We, therefore, asked the following questions in CP25/27 about our proposal to approach the assessment of liability consistently for all redress scheme cases:

Question 36: Do you agree with our assessment that the relevant regulatory expectations around disclosure have remained materially the same throughout the period in which the OFT and then FCA provisions applied? If you do not agree, please explain why

Question 37: Do you agree with our proposal to approach the assessment of liability consistently for all scheme cases from 6 April 2007 onwards? If you do not agree, please explain why and any other options we should consider

Feedback

Widespread or regular failures

- 2.11** Consumers, consumer organisations and professional representatives (PRs) agreed with our assessment on widespread or regular failures. They said our file reviews had demonstrated systematic and intentional inadequate disclosure of commission arrangements.
- 2.12** In their responses to questions 1, 36 and 37 (above), lenders and brokers argued that we have retrospectively applied standards that either did not exist at the time or were ambiguous, and that market practice on disclosures aligned with requirements as understood at the time. Some also noted that we did not highlight specific disclosure failures when we conducted the 2019 Motor Finance Review.
- 2.13** Lenders and brokers said:
- Our CP25/27 proposals gave no recognition to the changing regulatory standards during the proposed scheme period. OFT guidance and early FCA rules had limited expectations of adequate disclosure and prior to 2010 there were no regulatory disclosure standards in rules or guidance. Accordingly, non-disclosure of commission arrangements ought not alone to give rise to, or contribute to, any presumption of unfairness in the absence of such regulatory standards.
 - Our approach captured cases not covered by the *Johnson* fact pattern and we have misapplied the law by using a single factor test for unfairness.
 - The proposed redress scheme should not extend beyond DCAs or cases closely aligned with *Johnson* because we had not provided evidence of unfairness arising from such arrangements.

Loss or damage

- 2.14** Consumers, consumer organisations and PRs agreed with our assessment that inadequate disclosure of commission arrangements had caused consumers to unknowingly pay inflated credit costs, with potential consequences of this including missed payments and reliance on further credit.
- 2.15** However, some of these stakeholders argued that our analysis of loss or damage from tied arrangements failed to properly take into account losses from inadequate disclosure of other commercial arrangements between lenders and brokers.
- 2.16** Key arguments made by lenders and brokers included:
- Strong criticism of lack of empirical evidence for loss from tied arrangements.
 - Our economic analysis indicated an association between commission and borrowing costs but did not establish whether the commission arrangement was the factor causing those costs to rise.

- We had not shown that adequate disclosure would have changed customer behaviour. Firms put forward analysis showing no meaningful change in APRs following the DCA ban and no meaningful change in consumer behaviour following the changes in disclosure practices after the Court of Appeal's decision in *Johnson*.
- Arguments that our economic analysis underpinning our rationale for loss from high commission arrangements and DCAs was methodologically flawed.
 - On high commission arrangements, we received general feedback that the sample period used for the analysis was too narrow relative to the proposed redress period. They suggested the limited temporal coverage undermined the representativeness of the findings and risked failing to capture the full range of market conditions, business models and pricing dynamics relevant to the scheme period. In Chapter 5, we set out the key arguments raised by lenders and brokers on our proposed definition of high commission and our response.
 - On DCAs and our approach to measuring harm, many respondents said the underlying data was drawn from a narrow period which did not reflect the market conditions, behaviour or levels of harm over the whole period of the scheme. They noted that evidence was drawn primarily from DCA models which do not exhibit the same harms as other models the remedy will apply to. Several respondents said applying a single APR adjustment to all agreements risks under- or over-compensating consumers.

2.17 Firms also said:

- They had experienced high success rates in the county courts and there had been Financial Ombudsman decisions dismissing unfair relationship claims, meaning the proposed scheme would deliver outcomes that were inconsistent with litigation.
- Consideration of loss or damage should take account of the wider circumstances of the transaction, including any discounts or incentives applied to the price of the vehicle itself, even where commission arrangements relating to the finance were not adequately disclosed.

Desirability

2.18 Feedback from consumers and consumer organisations strongly supported the position in CP25/27, agreeing that a scheme is needed due to the scale of misconduct and extent of consumer detriment. Many noted that, compared to a complaint-led approach, the structure provided by a redress scheme is a more efficient way to ensure consistent and timely redress, reduce pressure on the Financial Ombudsman and the courts, and provide consumer certainty. Some also raised the need for robust supervisory oversight to ensure the objectives of the scheme are met.

2.19 Lenders and brokers tended to agree that a scheme was desirable to manage mass cases, reduce litigation risk and maintain market order. However, their support for the scheme was contingent on the scheme being lawful, proportionate, evidence-based, linked to proven consumer harm, and findings of unfairness more closely aligned with the fact pattern in *Johnson*.

Our response

It remains our view that the statutory tests in section 404 FSMA to establish a consumer redress scheme are met in respect of the entire 2007–2024 period, and, therefore, for both Scheme 1 and Scheme 2. We explain why in more detail below.

In accordance with CONRED 1.3.12G, we published an independent Counsel opinion confirming that the failures addressed by the proposed scheme are of a type a court or tribunal would treat as failures to comply with section 140A CCA (Annex 5 to CP25/27). We have obtained a further updated Counsel opinion confirming that view still remains, based on the scheme that we are now implementing (Annex 2 of this PS).

Section 404(1)(a) FSMA: Widespread or regular failures

The relevant failures

We recognise that in *Johnson*, the Supreme Court confirmed that the test of unfairness under section 140A CCA is fact sensitive and permits courts to take account of a very broad range of factors. However, as we explained in CP25/27, a consumer redress scheme under section 404 FSMA must have objective, common and identifiable criteria so that firms can assess very large volumes of cases consistently, quickly and at proportionate cost.

Our approach does not narrow or redefine the legal test. It is clear to us that, as confirmed by the Supreme Court in *Johnson*, the amount of commission and the existence and nature of commission arrangements can be highly material factors in the assessment of the unfairness of a relationship and this is supported by case law.

We are, therefore, proceeding on the basis set out in CP25/27. We consider our diagnostic work, and the case law, supports our assessment of the circumstances in which a court would likely consider that the inadequate disclosure of certain features (ie a DCA, high commission arrangement, or a tied arrangement) would give rise to an unfair relationship.

Regarding the case law, we consider the following findings support our approach:

- In *Johnson*, the Supreme Court came to the very clear view that the relationship between the lender and the borrower was unfair because of the size of the undisclosed commission and the concealment of the tied arrangement between the dealer and the lender.
- In *Clydesdale*, the judicial review of the Financial Ombudsman's decision in the *Miss L* case, the High Court dismissed challenges to the basis on which the Financial Ombudsman had decided to award compensation, including a decision that the failure to disclose the DCA had resulted in an unfair relationship.

Single vs multi-factor test for unfairness

We do not agree that our approach applies an overly simplistic or overly broad test for unfairness. The relevant arrangements reflect different aspects of the commission and broker-lender relationship. In our view, failing to adequately disclose these arrangements would, in a very large number of cases, result in circumstances where a court is likely to find the relationship unfair, whether the undisclosed features appear on their own or together.

The scheme considers factors which the Supreme Court in *Johnson* cited as, and which we consider to be, relevant to the section 140A CCA assessment, and takes a proportionate approach. For example:

- In Chapter 5, the de minimis and high commission thresholds take into account the size of the commission.
- In Chapter 10, the rebuttal for sophisticated consumers and the 'clear and prominent' disclosure standards take into account, respectively, the characteristics of the consumer and the extent and manner of disclosure.
- In Chapter 5, we have also, in response to consultation feedback, excepted certain circumstances – including captive and white label lending arrangements with franchised dealers (where evidence supports this) and zero APR loans – from being 'relevant arrangements'. This is because we consider that a court would be unlikely to find that an unfair relationship arises in most such cases.

We acknowledge that, as the Supreme Court confirmed in *Johnson* in line with our submissions, the mere fact that there has been no disclosure of the commission, or only partial disclosure, will not necessarily suffice of itself to make the relationship between lender and customer unfair for the purposes of the CCA. This is reflected in our finalised rules.

Consistency of approach to liability for all scheme cases

Our view is that the approach to the assessment of liability should be consistent for all scheme cases across the 2007 to 2024 period and should not be determined purely by the regulatory requirements that were in place from time to time, as some respondents to CP25/27 argued.

Fundamentally, while we recognise that differences in the level of knowledge and expertise between the parties do not in every case give rise to unfairness, as reflected in the case law, a sufficiently extreme inequality of knowledge and understanding can be the source of an unfair relationship. We explain in the sections on loss or damage below why we consider that, if there was a failure to adequately disclose one or more relevant arrangements, this was likely to impair the consumer's ability to make an informed choice to a degree that gave rise to this source of unfairness.

We believe our approach is strongly supported by the case law, in particular *Plevin*, *Clydesdale* and *Johnson*. In taking this approach, we are anticipating what we consider a court would do on the facts of a section 140A CCA claim.

Although the presence of a breach of regulatory requirements is likely to be relevant to the unfair relationship assessment, it is not a necessary precondition for a finding of unfairness under section 140A CCA. This is reinforced by *Clydesdale*, where the High Court determined that the Financial Ombudsman was entitled to find that the relationship between the lender and the borrower was unfair within section 140A CCA. That was because of the inequality of knowledge and understanding created by Clydesdale's own failure to disclose the basis on which it would pay commission, independently of any breach of rule.

We consider that if we made rules under which a finding of an unfair relationship depended on the agreement being entered into after a certain date within the period of the schemes (eg when OFT or FCA rules or guidance came into effect) we would be giving too much weight to the regulatory position.

This would be inconsistent with the authorities to the effect that regulatory rules and guidance are not determinative in the section 140A CCA analysis. They are only one factor, but not the deciding factor, when judging whether a lending relationship is unfair.

'Widespread or regular' failures

We have published an updated [Diagnostic Report](#) alongside this PS. Our findings of widespread or regular failures in our casefile reviews remain as reported in CP25/27, taking into account updated analysis and data.

Our decision that there will be two schemes each covering different time periods does not change our assessment that there was widespread or regular failure, as failures were distributed across the time period of both schemes.

The estimated breach rates detailed in this section should be seen in the context of the scale of the schemes, covering a 17-year period during which an estimated 32.9 million agreements were entered into, with many cases featuring multiple breaches. The rates are calculated for each category of unfair relationship individually and agreements will be duplicated within each category. Our estimates of the percentage of agreements that breach any one of the categories of unfairness is reflected in our estimate that redress will be due in 12.1 million cases.

Our redress modelling, described in detail in Chapter 7 of [Technical Annex 1](#) published alongside this PS, estimates the percentage of cases across the market where there will be an indicator of unfairness present:

- inadequate disclosure of DCA: 34.1%.
- inadequate disclosure of high commission: 8.4%.

For inadequate disclosure of tied arrangements, we have predominantly used firms' own estimates as the basis for the market-wide breach rate. This is based on firms' estimates of the number of agreements where there is (i) inadequate disclosure of right of first refusal (ROFR) or (ii) inadequate disclosure of tied arrangements by captive or white label firms where the arrangement is not via a franchised dealer.

This resulted in an average breach rate of 3.7% noting that individual firm rates vary significantly. This assumes that all captive and white label tied arrangements cases with franchised dealers qualify for the exception from unfairness. However, these arrangements should have been disclosed under our rules.

We conclude that our review findings and estimated breach rates show that there was widespread or regular failure to disclose key aspects of a motor finance agreement. This is also reflected in the very large number of complaints made to lenders about disclosure of commission arrangements in relation to motor finance.

Section 404(1)(b) FSMA – Loss or damage

Discretionary commission arrangements

Where a DCA was not adequately disclosed, the consumer will not have been given the information they needed to make an informed decision. Had the consumer been aware that the broker's remuneration could vary depending on the interest rate, they could have questioned the broker's incentives, sought further information about pricing, or considered alternative finance options.

Adequate disclosure could therefore have affected consumer behaviour, increased competitive pressure on interest rates, and potentially reduced borrowing costs. In *Johnson*, the Supreme Court agreed with our view that the nature of a commission arrangement was a relevant factor that could point towards unfairness if the consumer was not made aware of it. This included DCAs because of the incentives they create to charge a higher interest rate.

In CP25/27, we presented findings from our analysis of approximately 230,000 agreements between January 2019 and January 2021 (when we banned DCAs) as evidence of the loss caused by DCA commission models and to emphasise the harm caused by not adequately disclosing them.

Loans with Reducing Difference-in-Charges (DiC) and scaled commission models had 20-24% higher APRs than comparable flat-fee loans during this period, meaning borrowing costs for loans with flat-fee commission models were on average 17% lower. There were a limited number of lenders using Increasing DiCs during the analysed period, which resulted in no statistically significant findings. These findings were consistent with other analysis which found that average APRs fell by around 20% compared to a control group of personal loans following our 2021 ban on DCAs, indicating that DCAs were driving higher costs for consumers before the ban. This 17% difference in average APRs formed the basis of

the APR-17% adjustment in the APR adjustment remedy as consulted on. This is likely to be a lower bound to losses as it only compares how much more consumers paid than if the market had been transparent and does not account for less easily quantifiable harm that could arise from entering into an unsuitable agreement or the erosion of trust and confidence, or distress and inconvenience.

In response to feedback, we enhanced this analysis to make it more robust. Specifically, we incorporated data from an additional lender and expanded the time period for the analysis by a further 2 years so that it covered transactions between 2017 and 2021, as outlined in Chapter 4 of [Technical Annex 1](#). The enhanced and more robust analysis also produced an average APR differential of 17%.

In Chapter 11, we present evidence on the evolution of commission practices over time that indicates DCAs were both more prevalent and, on average, more harmful in earlier years than that covered by our economic analysis. In particular, commission models associated with larger differences between DCA and non-DCA borrowing costs (ie APRs) were used more widely before 2014, at a time when regulatory powers were more limited and supervisory expectations were less developed. These market conditions are relevant in assessing the likely scale of consumer loss arising from inadequate disclosure in those earlier years.

Our economic analysis of agreements entered into between 2017 and 2021, outlined above, provides robust evidence that DCAs were associated with materially higher borrowing costs during that period, with an average APR differential of 17% relative to comparable non-DCA agreements. Although we do not have directly comparable empirical data for earlier years, we consider it reasonable to treat this estimate as a conservative indicator of loss for the wider period covered by the 2 schemes. This reflects the combination of (i) the higher prevalence of DCAs in earlier years, (ii) the greater use of commission models associated with larger APR differentials, and (iii) lower levels of regulatory scrutiny and intervention prior to the transfer of consumer credit regulation to the FCA.

We considered these factors alongside consultation feedback from both consumer representatives and firms, which consistently indicated that DCA-related harm was likely to have been greater in earlier periods than in the post-2014 market. Taken together, this supports the conclusion that the APR-17% differential observed for 2017–2021 is more likely to understate, rather than overstate, the level of loss experienced by consumers in earlier years.

We, therefore, conclude that it appears consumers, in general, have suffered, or may suffer, loss or damage as a result of failures to adequately disclose DCAs across the entire period covered by the 2 schemes.

High commission arrangements

The Supreme Court in *Johnson* recognised that inadequate disclosure of the amount of a high commission may render a relationship unfair. There are cases where the amount would have sufficient significance for the consumer's decision-making that they ought to be told about it to give them the opportunity to ask why it is high. At high levels, commission can become a significant feature of the transaction that may influence both the broker's incentives and the overall cost of credit.

The relationship between inadequate disclosure and unfairness was also recognised by the Supreme Court in *Plevin*, although, as the Court noted in *Johnson*, the analogy between *Plevin* and motor finance cases is imprecise, and *Plevin* concerned a different product in a different market.

Accordingly, where a commission of a certain size is not adequately disclosed, the consumer is denied information relevant to understanding the nature of the transaction that could have affected both the broker's incentives and the overall cost of credit. Had the size of the commission been disclosed, the consumer could have questioned its impact on pricing, sought to renegotiate, or considered alternative finance options.

In CP25/27, we presented economic analysis on whether higher broker commission is associated with a higher total cost of credit for consumers with flat fee loans. We sought to assess the extent to which increases in broker commission were reflected in higher borrowing costs for consumers. On average, we found that a £1 increase in broker commission is associated with more than a £1 increase in the total cost of credit, when the commission (as a proportion of the loan principal) is above the 75th percentile. This relationship is statistically significant. For these agreements, the average commission is 10% of the total loan amount and commission is on average 33% of the total cost of credit.

As we set out in Technical Annex 1 of CP25/27, there are important limitations to this analysis. This means the results should be treated as indicative only. They show that, on average, there is an association between higher commission and higher borrowing costs, rather than conclusive evidence capable of identifying a specific point at which higher commission causes higher borrowing costs.

We received significant feedback on this analysis and, as a result, updated our methodology. The methodological updates are described in Chapter 4 of Technical Annex 1 published alongside this PS.

Re-running the model with the updated data, methodological changes and changes to specifications, we find a positive and statistically significant association between commission and consumers' total cost of credit. We find that on average, a £1 increase in broker's commission was associated with a £0.79 increase in the customer's total cost of credit. We note that this does not imply that commission at or around the levels observed in our dataset was harmful, nor does it establish a causal relationship.

While we found positive association, as set out in Chapter 4 of Technical Annex 1, further refinements of the analysis indicated little clear evidence from the model that the association of commission with cost of credit for flat fee loans increased with commission level.

This finding does not imply that commission was directly or mechanically added to a consumer's interest rate in any individual case. And as noted in Chapter 4 of Technical Annex 1, brokers may have reduced distribution costs for lenders, which could have benefitted consumers if firms passed on savings. However, it is consistent with the position recognised by the courts, including in *Johnson* and *Plevin*, that commission costs form part of a lender's overall cost base and may be recovered indirectly through charges made for credit across its lending.

Taking the case law and our economic analysis together, in our view, the evidence suggests that consumers may ultimately have borne at least some of the cost of commission through credit charges they paid. As set out above, our analysis indicates that, on average, higher commission levels were associated with higher borrowing costs. This supports our view that inadequate disclosure of a high commission was capable of contributing to an unfair relationship.

Accordingly, we conclude that it appears that consumers, in general, have suffered, or may suffer, loss or damage as a result of failures to adequately disclose high commission arrangements across the entire period covered by the two schemes. However, this conclusion does not identify the level of commission at which adequate disclosure becomes necessary. Determining this is a matter of regulatory judgement, which we set out in Chapter 5.

Tied arrangements

For tied arrangements, as we noted in CP25/27, the Supreme Court's judgment in *Johnson* confirmed that undisclosed or inadequately disclosed tied arrangements between lenders and brokers are highly relevant to whether a credit relationship is unfair under section 140A CCA. The Supreme Court found that a hidden commercial tie, combined with a large undisclosed commission, made the relationship unfair and a remedy was awarded as a result.

Consistent with *Johnson*, we define tied arrangements as contractual arrangements under which the broker is required to either introduce consumers exclusively to the lender or give the lender the option to provide an offer of credit to the consumer before any other lender (a ROFR). We consider other commercial arrangements, which consumer stakeholders have argued have the same effect, in Chapter 5.

We have considered all the stakeholder feedback on our evidence base for loss from tied arrangements:

- The economic submissions from lenders on tied arrangements are descriptive and not causal, rely on broad proxy definitions of tied arrangements or do not fully account for non-operative tied

arrangements, which are now subject to a new rebuttal of unfairness described in Chapter 10. More fundamentally, these analyses do not address the core issue of inadequate disclosure.

- We also carried out a review of the theoretical and empirical literature on vertical agreements in credit markets. This found that tied and other commercial arrangements can be neutral or even beneficial in competitive markets. However, the empirical literature does not systematically distinguish between disclosed and undisclosed arrangements.

Empirical evidence of loss, while helpful in supporting our judgement, is not a necessary condition to conclude that undisclosed tied arrangements could lead to loss or damage.

We consider the Supreme Court's finding in *Johnson* that inadequate disclosure of a tied relationship is highly relevant to whether a credit relationship is unfair; and its decision to award a remedy for the unfairness it found weighs in favour of a conclusion that unfairness from inadequate disclosure of tied arrangements leads to loss or damage.

If a tied arrangement is hidden from a consumer, they may reasonably presume the broker is free to select from a range of lenders. Had they been aware of the tie, they could have chosen whether they wanted to use a dealer or broker who was able to review what the market or a panel of lenders might offer.

We therefore conclude that it appears that consumers, in general, have suffered, or may suffer, loss as a result of failures to adequately disclose tied arrangements across the entire period covered by the 2 schemes.

Post-Johnson evidence of the impact of disclosure

We noted in CP25/27 that many firms have been fully disclosing commission arrangements and tied arrangements in the light of the Court of Appeal decision in *Johnson* and have reported very little or no impact on consumer behaviour so far. We also acknowledge that the academic literature is inconclusive on the impact of inadequate disclosure.

However, it remains our view that this is not enough to counter the conclusions we have reached. First, DCAs are now banned, and most of the cases we are dealing with in the 2 schemes relate to inadequate disclosure of DCAs, so the relevance of post-ban evidence to the schemes is somewhat marginal. Second, disclosure practices in relation to commission amounts and tied arrangements have only changed recently and the behaviour of firms in response to increased transparency is likely to change over the longer-term as firms adjust their position to remain competitive.

Finally, we would restate our observation in CP25/27 that, in *Johnson*, the Supreme Court determined that it was 'not necessary for [the claimant] to prove that he would not have proceeded with the transaction had he been made aware of the fact and amount of commission' (see paragraph 327, [2025] UKSC 33).

Wider circumstances of the transaction

The scheme is concerned with failures to adequately disclose commission arrangements relating to motor finance agreements, and with the consequences of those failures for consumers' ability to make informed decisions. Arguments about vehicle pricing, discounts or other aspects of the transaction are, in substance, after-the-fact rationalisations that could and should have been made at the point of sale if brokers or lenders had adequately disclosed commission arrangements and those arrangements had been subject to consumer challenge. They are not a basis for explaining or excusing why a consumer did not receive adequate disclosure in the first place.

Where material information about commission arrangements was not adequately disclosed, the consumer was deprived of the opportunity to assess how those arrangements interacted with other elements of the transaction, including the price of the vehicle or the availability of alternative finance. Allowing such factors to be relied upon after the event to disprove loss or damage would undermine the purpose of disclosure requirements, reduce certainty and consistency in scheme operation, and reintroduce a case-by-case reconstruction that is ill-suited to a mass redress scheme.

Further, such an approach would also risk disadvantaging consumers by placing unrealistic evidential expectations on them to recall detailed aspects of their interactions with dealers – potentially from many years ago. In addition, it would be operationally unworkable. Firms themselves state that they cannot reliably reconstruct the details of some historic regulated motor finance transactions, which is why we have taken a relatively flexible approach to our evidential requirements. It would, therefore, not be credible or proportionate to expect either firms or consumers to reconstruct the terms and dynamics of the associated (unregulated) vehicle sale and related discussions.

Section 404(1)(c) FSMA Desirability of a scheme

We are satisfied that the third condition in section 404 FSMA – desirability with reference to other ways in which consumers could obtain redress – is met. Our view remains, when weighed against the other options set out in CP25/27, that a scheme is the most appropriate way to deliver comprehensiveness, fairness and timeliness, certainty, simplicity and cost-effectiveness, transparency and market integrity. In reaching our view, we took into account the amendments we have made to improve how the scheme operates and update to the scheme's potential market impact summarised in Chapter 1.

We have also taken into account our revised CBA estimates of the administrative non-redress costs of the 2 schemes for firms and consumers compared with a 'do nothing' counterfactual. In response to feedback from respondents regarding estimated costs and uptake rate assumptions, we have collected more evidence and revised our assumptions and modelling approach. We have also updated and

reduced our estimates of administrative non-redress scheme costs in line with the revisions to the 2 schemes. These are explained in detail in Annex 1, Revised CBA. The headline figures comparing the firm and consumer administrative costs with the counterfactual are set out in the table below:

Table 2: Summary of Policy Statement central estimates (nominal costs)

Monetised costs	Counterfactual	Intervention	Benefits (savings)
Scheme 1 – 6 April 2007 to 31 March 2014			
Total firm costs	£1,751.2 m	£478.6 m	£1,272.5 m
Consumer time costs	£61.4 m	£23.3 m	£38.1 m
Scheme 2 – 1 April 2014 to 1 November 2024			
Total firm costs	£6,209.8 m	£1,171.3 m	£5,038.5 m
Consumer time costs	£189.4 m	£54.1 m	£135.3 m
Schemes 1 & 2 – 6 April 2007 to 1 November 2024			
Total firm costs	£7,961.0 m	£1,649.9 m	£6,311.1 m
Consumer time costs	£250.8 m	£77.4 m	£173.5 m

The effect of our final policy positions and updated assumptions is that the 2 schemes lead to significantly lower firm operational costs (£6.3 bn lower in nominal terms than counterfactual costs).

Time period covered by the 2 schemes

2.20 We proposed in CP25/27 that an agreement should fall within the scope of the scheme where it was entered into between 6 April 2007 and 1 November 2024. We set the proposed start date to coincide with the commencement of section 140A of the CCA and the point at which the Financial Ombudsman assumed jurisdiction over consumer credit complaints. We proposed 1 November 2024 as the end date, reflecting the point at which firms began implementing changes to their disclosure practices following the Court of Appeal's judgment in *Johnson*, before the appeal to the Supreme Court.

2.21 We asked:

Question 7: Do you agree with our proposal that an agreement would need to have been written between 6 April 2007 and 1 November 2024 for it to be a scheme case? If not, please explain why you do not agree and any other options we should consider

Feedback

Supporting a 2007 start date for a scheme

- 2.22** Consumers, consumer organisations and PRs expressed broad support for including agreements entered into from April 2007. These respondents argued that missing or incomplete records — particularly for agreements written between 2007 and 2013— should not operate to the detriment of consumers. They emphasised that consumers rely on firms to retain accurate and complete documentation and that it would be unfair for individuals to lose access to redress because a firm deleted, failed to retain or did not maintain adequate records.
- 2.23** These respondents noted that, where firms are unable to evidence what information was provided at the time of sale or what commission arrangements existed, the evidential risk should fall squarely on the firm rather than the consumer. They emphasised that consumers are inherently dependent on firms to maintain accurate and complete documentation, and that failures in firms' record-keeping cannot operate to extinguish or diminish liability.
- 2.24** Several consumers and consumer organisations also relied on the FCA's own diagnostic findings — which indicated that adequate disclosure of commission was 'extremely rare' even in the later period (2019–2021) — to argue that the likelihood of adequate disclosure being made in earlier, less regulated years was even lower. On this basis, they contended that missing data should not be interpreted in a way that benefits firms, and that evidential uncertainty should be resolved in favour of consumers.
- 2.25** Some respondents in this group took this reasoning further, arguing that firms' evidential deficiencies were not simply neutral gaps but could themselves be indicative of unfairness, poor governance or inadequate systems and controls. They suggested that, given the power imbalance between firms and individual consumers, the scheme must be designed so that a firm cannot rebut a presumption of inadequate disclosure simply by pointing to the absence of a record.

Statutory power ('vires') under section 404 FSMA

- 2.26** A significant number of respondents across all stakeholder groups accepted that this range captured the period during which the relevant consumer harm may have arisen. However, a significant number — particularly among firms and their trade bodies — advanced views that the FCA does not have statutory power (or 'vires') under section 404 FSMA to include agreements predating 1 April 2014 in the redress scheme.
- 2.27** These respondents emphasised that the statutory definition of 'consumer' in section 404E FSMA requires the use of services provided by an authorised person carrying on regulated activities. As consumer credit was not a regulated activity under FSMA before April 2014, these firms submitted that borrowers from that period fall outside the statutory scope of section 404 FSMA.

Conditional support for a 2007 start date

- 2.28** A smaller group of firms, while similarly expressing concerns about the statutory position, indicated they could support the inclusion of agreements dating back to 6 April 2007 if the legal framework was clarified— through the use of HM Treasury’s power under section 404G FSMA— and appropriate operational conditions were met. Some of these respondents also argued that CONRED 1.4.4.G prevents the retrospective application of the scheme to pre-2014 conduct, and extending the scheme further back would require the guidance to be updated. In addition, this group of respondents stressed the need for a proportionate evidential approach for earlier agreements, recognising that records from 2007–2013 may be incomplete due to historic retention practices and UK General Data Protection Regulation (GDPR) requirements. They also argued that a consumer-led opt-in for cases would be more appropriate for older agreements, given the practical difficulties of contacting customers from more than a decade ago. In addition, they emphasised that extending the period back to 2007 would require longer implementation timelines to ensure fair and consistent delivery of the scheme.

Our response

We do not agree with the arguments made and we remain of the view that we have the power to introduce a scheme which covers the entire period of 2007–2024. We have set out earlier in this chapter our evidence of the widespread or regular failures that caused loss or damage to consumers across the period from 6 April 2007 to 1 November 2024 and our assessment that a scheme would be desirable when compared to alternative approaches. We consider that firms’ liabilities for those failures arise under the existing law for that entire period, irrespective of whether the FCA exercises its powers under section 404 FSMA to establish a scheme. The scheme provides a structured and consistent mechanism for efficiently delivering timely redress in respect of those existing obligations. If we do not intervene, a prolonged period of complaints and litigation would create sustained uncertainty for consumers as well as firms and their investors, and could hinder the sector’s ability to move forward, with potential implications for wider market confidence and growth.

We recognise, as several respondents suggested, that HM Treasury could provide additional clarity by making an order under section 404G FSMA which would be subject to the applicable parliamentary procedure, but we do not consider that such a step is required for the scheme to cover agreements entered into before 1 April 2014.

Two scheme approach

In light of feedback – particularly raising the possibility of legal challenge to the application of the scheme to pre-1 April 2014 agreements – we have considered how best to protect the integrity, deliverability and timely implementation of the scheme as a whole.

While we remain satisfied that our powers permit us to introduce a scheme covering the full period, we recognise that a single scheme spanning both periods could face an elevated risk of legal challenge that might delay or disrupt delivery. To mitigate that risk – and recognising the lengthy delays, potentially more than two years, that many complainants have already faced – we want to ensure that redress for complaints relating to agreements entered into on or after 1 April 2014 can proceed without any risk of further delay.

For that reason, we have decided to adopt 2 schemes, each with their own instrument:

- **Scheme 1: covering agreements entered into from** 6 April 2007 to and including 31 March 2014.
- **Scheme 2: covering agreements entered into from** 1 April 2014 to and including 1 November 2024.

The date the consumer entered into the agreement determines which scheme applies. Where an agreement was entered into before 1 April 2014 but continued afterwards, it will be treated as falling wholly within Scheme 1.

Having adopted a 2 scheme structure, we then considered whether it was necessary for the schemes to differ in some respects to make sure that each provides a fair and proportionate approach to redress.

In taking this approach, we have treated the boundary between the two schemes as a clear and workable point at which, in our regulatory judgement certain distinctions may appropriately be drawn to reflect the different contexts of the earlier and later periods. We recognise that there are some areas where it may be appropriate to draw even more granular distinctions, where we think there is merit in drawing a boundary in respect of a data point for which there is significant variation year-to-year. These include the thresholds for excluding high value loans from the schemes and the thresholds used to calculate an adjusted total cost of credit cap on redress, set out in Chapters 4 and 11 respectively. However, we do not consider such differentiation necessary or appropriate for other features. Applying distinctions at the scheme boundary also promotes simplicity and operational effectiveness, which we consider to be in the interests of consumers and market integrity overall.

While most elements of our policy apply consistently across both schemes, we have adjusted several features to reflect the particular context of each one:

- **Implementation period:** In Chapter 7, we explain our decision to have an implementation period of 5 months for Scheme 1, and an implementation period of 3 months for Scheme 2 (with the ability for firms to start earlier once they are operationally ready).

- **De minimis commission threshold:** In Chapter 5, we explain our decision to have a de minimis commission threshold of £120 for Scheme 1 and £150 for Scheme 2.
 - **Hybrid remedy APR adjustment:** In Chapter 11, we explain our decision to use a differentiated adjustment in the loss-based component of the hybrid remedy depending on the agreement start date. This will be APR-21% for agreements that started in the Scheme 1 period and APR-17% for Scheme 2 agreements.
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Chapter 3

Scope of the scheme: Subject matter and key definitions

- 3.1** This is the first of 3 chapters on scheme scope. It covers the subject matter of the scheme and key definitions.

Summary of policy decisions and how they support our scheme principles

- 3.2** Overall, we have maintained the broad approach to the scope of the scheme on which we consulted. Our preferred approach reflects our objective of **comprehensiveness**, making sure consumers do not need to pursue redress through multiple routes such as complaints to the firm, the Financial Ombudsman or through the courts. And **certainty**, by providing a clear and consistent framework for determining whether an agreement falls within the Scheme.
- 3.3** However, in response to feedback and further analysis, we have made several targeted changes and clarifications to improve **fairness** as well as operability.
- 3.4** Key changes and clarifications set out in this chapter include:
- Adding guidance to assist with understanding the definition of commission.
 - Clarifying the allocation of scheme administration and redress responsibilities between original lenders and purchasers of loan books. In particular, we have clarified the circumstances in which purchasers will be responsible for administering the schemes and paying redress.
 - Clarifying the treatment of consumers in insolvency for the purposes of the scheme, including how entitlement to redress is affected by insolvency events.
- 3.5** We are also setting out in this chapter how we expect complaints that are currently paused until 31 May 2026, to interact with the scheme.

Subject matter of the scheme

- 3.6** In CP25/27, we proposed that the subject matter of the scheme was whether, in a scheme case, there was inadequate disclosure of any of the following in connection with the entering into of a motor finance agreement:
- A DCA.
 - The payment of commission.
 - A tied arrangement.

- Any other arrangement between a lender and a credit broker under which the credit broker was incentivised (directly or indirectly) to introduce consumers wishing to enter into motor finance agreements to that lender.

3.7 The conditions that a case has to meet to be a scheme case are set out in more detail in Chapter 4.

3.8 We thought that defining the subject matter of the scheme broadly was essential to capture as many motor finance inadequate disclosure cases as possible within a single, coherent framework, and to provide clarity and consistency on the kinds of agreements that do, or do not, give rise to unfairness.

3.9 We said that a broad subject matter would enable firms to determine there was no unfair relationship under the scheme where a scheme case does not feature a 'relevant arrangement' (see Chapter 5). If the subject matter were, instead, narrow and restricted only to the inadequate disclosure of relevant arrangements, we said that agreements without these arrangements could not be determined under the scheme. They would instead have to be dealt with through parallel dispute resolution processes such as firms' complaints processes and the Financial Ombudsman. Rather than consider whether the firm had followed the rules of a scheme, the Financial Ombudsman would be required to determine any such complaint on the basis of what it considers to be fair and reasonable. The risk from this would be fragmented or inconsistent outcomes, rather than predictable, standardised determinations that support fairness and orderly market functioning and confidence.

3.10 We asked:

Question 2: Do you agree with the proposed broad definition of the subject matter of the scheme? If not, please explain why not and any other options we should consider

Question 14: Do you have any evidence on other potentially problematic practices where inadequate disclosure could have resulted in an unfair relationship and which would not be included under our current proposals? If so, please share your evidence with us

Feedback

3.11 Responses that focused on the definition of the subject matter of the scheme were mixed.

3.12 Consumers and consumer organisations were concerned that the broad subject matter would prevent consumers from being able to complain to the Financial Ombudsman. It was recognised that a consumer would still have access to the courts but those who disagreed with the proposal said that the removal of a free, informal dispute resolution process was not justified.

- 3.13** Some firms argued that it was too broad and went beyond what section 140A of the Consumer Credit Act 1974 (CCA) and section 404 of the Financial Services and Markets Act 2000 (FSMA) allow. They felt that such a broad subject matter would slow down delivery of the scheme.
- 3.14** Some firms asked us to clarify whether the subject matter would capture agreements that were purely about the use of such arrangements. If the subject matter was not broad enough to include these, they considered there to be a risk of consumers or their representatives potentially looking to circumvent the scheme by making complaints about the operation of such arrangements.
- 3.15** It was mainly professional representatives (PRs) who said that they had evidence of other potentially problematic practices where inadequate disclosure could have resulted in an unfair relationship. They felt that there were other incentive mechanisms such as volume-based incentives, captive arrangements and target linked bonuses that could drive unfairness. Some wanted an assurance that participation in the scheme would not preclude a consumer from being able to pursue an unfair relationship complaint if an issue was subsequently identified, while accepting that there cannot be double recovery for the same loss.
- 3.16** There were also requests for clarification on how cases with scheme and non-scheme elements should be dealt with.

Our response

We remain of the view that defining the subject matter of the scheme broadly is essential to capture as many motor finance inadequate disclosure agreements as possible within a single, coherent framework. It provides clarity and consistency on the kinds of agreement that do, or do not, give rise to unfair relationships and is consistent with the guiding principles of this redress scheme, including certainty by giving consumers and firms finality, covering as wide a range of complaints as possible, and preserving market integrity.

We believe this provides an appropriate balance between the guiding principles for the scheme of certainty and market integrity by capturing the kinds of agreements that might give rise to unfair relationships under section 140A CCA for the purposes of the scheme, and still allowing other complaints to be made in the usual way.

While we have kept the subject matter of the scheme broad, we have changed specific aspects within it. These changes and the rationale for them are set out in Chapter 5 where we discuss relevant arrangements.

To mitigate the risk that we had overlooked other features whose inadequate disclosure could also give rise to an unfair relationship, we invited evidence on other problematic practices where inadequate disclosure could have resulted in an unfair relationship. We have not received evidence of other problematic practices through responses to our consultation that has persuaded us to change our approach.

The effect of this approach is that consumers who have a complaint that is about the subject matter of the scheme but does not have a relevant arrangement will not be able to receive a determination of unfairness through the Financial Ombudsman. They will have to take legal action through the court system if they want the individual circumstances of their case to be considered.

Consumers will still be able to pursue complaints that are not about the subject matter of the scheme in the usual way. Complaints concerning those matters – such as affordability or creditworthiness assessments, treatment of arrears and forbearance, or other aspects of the lending or broking process – can continue to be made to firms under the normal complaint handling rules and, if unresolved, can be referred to the Financial Ombudsman.

How the scheme interacts with existing complaints

In December 2025 we further extended the time firms have to send final responses to motor finance DCA complaints and non-DCA commission complaints (that are not about leasing agreements) to 31 May 2026. At the time we said that if a scheme is introduced, we will consider how the end of the extension will interact with the complaints that will need to be assessed under it, and those that will not. For those complaints that will need to be assessed under the scheme, we said that the date of 31 May 2026 will be superseded by the final scheme rules.

We recognised that many complaints contain more than one point of complaint eg a complaint about inadequate disclosure of commission might also contain a complaint about affordability. In this scenario, we said that it may be simpler for firms and less confusing for consumers to allow firms to defer sending a final response to any non-scheme elements until they are ready to communicate the outcome of any element encompassed under the scheme. In the event that we make scheme rules, we said that we will revisit the date and look to align with relevant dates in the scheme taking account of the wide range of helpful feedback we were receiving in the consultation about the operational elements of the scheme.

Application of the scheme rules

The scheme rules apply to impose requirements on lenders for each case where:

- there is a motor finance agreement entered into on or after 6 April 2007 and before 1 April 2014 (Scheme 1) or between 1 April 2014 to and including 1 November 2024 (Scheme 2)
- the unfair relationship provisions in the CCA apply
- there were arrangements between the lender and a credit broker in connection with the entering into of the agreement relating to the payment of commission (at this stage what matters is that commission arrangements were in place, not whether commission was actually paid)

Paused complaints to which the scheme rules do not apply

As the scope of the pause is broader than the scheme application there will be some paused complaints (eg ones relating to agreements entered into after 1 November 2024) where the scheme will not apply.

For these complaints, the pause will end on 31 May 2026, and firms will have 8 weeks from 1 June 2026, less any time that had already expired before the relevant pause was introduced, to send a final response.

We have made a minor amendment to DISP App 5.2.1BR(2) to make sure that it reflects the policy intent that, once the pause ends, firms should have only the remainder of any time that had not already expired before the pause was introduced to send a final response to a motor finance non-DCA complaint. The amendment involved changing the date of 26 October 2024 to 20 December 2024 and makes sure that the pause for non-DCA complaints operates in the same way as the pause for motor finance DCA complaints, as it was always intended to.

Paused complaints to which the scheme rules apply

We remain of the view that it will be simpler for firms and less confusing for consumers to allow firms to defer sending a final response to any non-scheme elements until they are ready to communicate the outcome of any case assessed as part of the scheme.

Where the rules of the scheme apply, the end of the pause will be superseded by the timeline set out in the scheme. In practice, this means that on 31 March 2026, complaints to which the scheme applies, will move across to be dealt with under the scheme, and will no longer be governed by the DISP complaint handling rules.

Where the scheme rules apply to a paused complaint that also contains one or more other points of complaint that are not covered by the scheme, all parts of the complaint will move across to be dealt with in line with the timelines set out in the scheme. This will be less confusing for consumers and simpler for firms because it prevents them from having to send final responses to non-scheme elements before they are required to decide the outcome under the scheme.

The process and timelines for firms to send redress determinations under the scheme are set out in Chapters 7 and 8. This chapter discusses when a final response will need to be sent alongside a redress determination.

Requirement to send a final response where a paused complaint is found to be not a scheme case

Scheme cases are cases that are not excluded from the scheme because of one of the reasons set out in CONRED 5.1 and 6.1. The lists of cases in CONRED 5.1 and 6.1 include (but are not limited to): cases where no commission was payable despite there being commission arrangements in place; high value loans; time barred cases; and cases where an offer has been accepted in full and final settlement.

Under the operational rules of the scheme, if a firm decides that an existing paused complaint which falls within the scheme application, (and therefore is subject to being initially assessed in line with it), is not a scheme case, it will be required to send a redress determination stating the reason why, no later than 3 months after the end of the relevant implementation period.

We acknowledge this means that complainants whose complaints have been paused and are found not to be scheme cases may have to wait longer for a response. However, we think this is the right approach to make sure that the question of whether a complaint is a scheme case is determined under the rules of the scheme. Where a firm is able to easily identify that a paused complaint is not a scheme case, we encourage it to deal with the case promptly and not wait until the deadline to send a response. If the consumer is not happy with the determination, they will be able to refer the complaint to the Financial Ombudsman which must first decide whether the firm was correct in deciding that the case was not a scheme case. If the Financial Ombudsman determines that the case is in fact a scheme case, the case will go back to the firm to continue with handling it in line with the scheme.

If the firm was correct to exclude the existing paused complaint from the scheme, the Financial Ombudsman will then need to decide whether it can (ie whether the complaint is within its jurisdiction) and should (ie whether there are any circumstances where the Financial Ombudsman considers it would be appropriate to dismiss the complaint without assessing the merits) consider the complaint on the basis of what it determines to be fair and reasonable.

To do this, the Financial Ombudsman will need the firm to have sent a final response to the complaint. The firm will, therefore, be required to send a final response at the same time as it sends the redress determination. In line with the requirements in DISP 1.6.2R, the firm will need to indicate in the final response whether it consents to waive the time limits in DISP 2.8.2R.

Requirement to send a final response where a paused complaint is found to be not within the subject matter of the scheme

As explained above, we have defined the subject matter of the scheme broadly to capture as many motor finance inadequate disclosure cases as possible within a single, coherent framework, and provide clarity and consistency on the kinds of cases that do, or do not, give rise to unfair relationships.

Even if a complaint is about a non-scheme element (such as affordability or the treatment of arrears and forbearance), for the purposes of the scheme, we still require firms to look at whether there was non-disclosure. We therefore envisage there being very few scheme cases that would not be in the subject matter of the scheme.

However, if a firm decides that an existing paused complaint does not fall within the subject matter of the scheme, it will be required to send a redress determination stating the reason why, no later than 3 months after the end of the implementation period.

If the consumer is not happy with the determination, they will be able to refer the complaint to the Financial Ombudsman which must first decide whether the firm was correct in deciding that the case was not within the subject matter of the scheme. If the Financial Ombudsman determines that the case is in fact a scheme case, the case will go back to the firm to continue with handling it in line with the scheme.

If the firm was correct to exclude the existing paused complaint from the scheme, the Financial Ombudsman will then need to decide whether it can and should consider the complaint on the basis of what it considers to be fair and reasonable. To do this, it will need the firm to have sent a final response to the complaint. The firm will, therefore, be required to send a final response at the same time as it sends the redress determination.

Requirement to send a final response where a paused complaint is a scheme case, within subject matter of the scheme but has no relevant arrangement

If a firm decides that there is no relevant arrangement in an existing paused complaint that is a scheme case and within the subject matter of the scheme, it will be required to send a provisional redress decision no later than 3 months after the end of the implementation period, finding that there was no unfairness and no redress due.

Where the scheme process allows for a provisional redress decision to be sent, we have aligned the requirement to send a final response to any other non-scheme elements with the date the redress determination must be sent.

The consumer will be able to refer the complaint to the Financial Ombudsman if they are unhappy with the redress determination. The Financial Ombudsman will determine the case on the basis of the scheme rules rather than on the basis of what it considers to be fair or reasonable for that individual complaint.

The firm will be required to send a final response to any other non-scheme elements at the same time that it is required to send the redress determination under the scheme.

Requirement to send a final response where a paused complaint is a scheme case, within subject matter of the scheme and has a relevant arrangement

Where the firm has identified the presence of a relevant arrangement in a paused complaint that is a scheme case, it will be required to send a provisional redress decision no later than 3 months after the end of the implementation period.

Where the process allows for a provisional redress decision to be sent, we have aligned the requirement to send a final response to any other non-scheme elements with the date the redress determination must be sent.

This recognises that there will be circumstances where a consumer wants to accept the scheme redress offered in the provisional redress decision and still be entitled to receive a response to any non-scheme elements to the complaint. If the consumer accepts the redress offered in the provisional redress decision, the firm will have 1 month from the date of acceptance of the provisional redress decision to then send a final response to any non-scheme elements.

We think this approach will help prevent a confusing situation arising where a consumer could have different deadlines for referring different parts of their complaint to the Financial Ombudsman.

Agreements in scope of the scheme

3.17 We proposed that for the scheme rules to apply, a consumer must have entered into a motor finance agreement with an FCA-regulated firm, or a firm that previously held an OFT licence, and there must have been a commission arrangement connected to that agreement.

3.18 We proposed the following definitions:

- **Motor finance agreement:** A regulated credit agreement that was used in whole or in part to finance the purchase or hire of a motor vehicle. These are most likely to be personal contract purchase (PCP), hire purchase (HP), or conditional sale agreements.
- **Motor vehicle:** A mechanically propelled vehicle that is intended or adapted for use on roads. It should have its own engine or motor for movement. We did not propose to provide a list of every vehicle that would meet this definition, although we confirmed that we do not consider towed caravans to be motor vehicles for the purposes of this scheme.
- **Commission arrangement:** An arrangement between the lender and a credit broker in connection with the entering into of the motor finance agreement that related to the payment (directly or indirectly) of commission to the broker.
- **Commission:** Any commission, fee or other form of remuneration payable (directly or indirectly) by a lender, to a credit broker in connection with the entering into of a specific motor finance agreement.

3.19 We asked:

Question 3: Do you agree with the proposed definitions of a motor finance agreement, motor vehicle, commission arrangement, and commission? If not, please explain which definitions you do not agree with and any other options we should consider

Feedback

Motor finance agreement

3.20 There was broad agreement with our proposed definition, but some argued that personal contract hire (PCH) and leasing agreements should be included as they thought that similar undisclosed commission practices occurred.

3.21 Some firms said that between 6 April 2007 and 5 April 2008 only agreements where the balance did not exceed £25,000 should be included, as the limit for what defines a regulated credit agreement under the CCA was only removed from 6 April 2008.

Motor vehicle

3.22 There was general agreement with our proposed definition.

3.23 Disagreements came from firms and focused on concerns that it would capture agricultural, commercial and plant machinery and vehicles not intended for consumer use. Others felt that luxury vehicles and those bought for investment purposes should not be included in the definition.

Commission and commission arrangement

3.24 We have grouped these 2 terms together as there was considerable overlap between the responses to the 2 questions. However, it was noted that there was no definition of commission arrangement in the draft rules, and we were asked if it could be incorporated in the final scheme rules.

3.25 Some firms felt that the definition of commission was too broad and captured commission that was payable but not actually paid.

3.26 Some firms and PRs wanted clarity as to whether the definition of commission covered scenarios where connected companies, eg manufacturers, paid commission to brokers and/or dealers.

3.27 Other responses from firms included requests for clarification on various types of payment and whether they should be included in the definition of commission. They thought it could unintentionally include other forms of indirect commission not attributable to specific agreements such as volume commissions, marketing contributions, and portfolio-level arrangements.

- 3.28** Firms also asked for clarification on how they should treat certain payments for the purpose of calculating the total amount of commission.
- 3.29** In our draft rules, we said the total amount of commission means the sum of all commission payable in connection with the entering into of a specific motor finance agreement, including where commission was payable under more than 1 type of commission arrangement (for example, where commission was payable under both a discretionary commission arrangement and a fixed fee commission arrangement). Our draft rules also said that where a single motor vehicle sales transaction was financed by more than 1 motor finance agreement, in order to identify whether the arrangement was either a high commission arrangement or a very high commission arrangement, the total amount of commission should be calculated by aggregating the relevant amounts for each motor finance agreement (alongside the total charge for credit and total amount of credit).
- 3.30** There were requests for clarification in scenarios where there were 2 separate parts to the commission arrangement or 2 separate commission arrangements, and where there were multiple brokers involved.
- 3.31** As we did not specifically ask for views on our definition of the total amount of commission, we respond to these requests in this section. We also confirm our position on our proposed approach to situations in which single vehicle sales transactions are financed by multiple motor finance agreements.

Primary brokers and four party transactions

- 3.32** Some firms argued that the scope of the scheme should not include four-party transactions (that is an arrangement whereby the consumer engaged a credit broker separate to the dealer). They argued that, in these cases, the broker's conduct (including with respect to adequate disclosure) would not be attributable to the firm under section 56 CCA. Accordingly, even if a broker failed to comply with CONC, this would not constitute a failure by the lender to comply. It was also suggested that the definition of commission should be amended to make sure it did not capture fees paid to price comparison websites and so to except them from the scope of the scheme.
- 3.33** A number of firms, in their general comments, also made the point that primary brokers facilitate consumers getting competitive deals and their specialist services help non-prime consumers access credit. They argued that this is a strong indicator that inadequate disclosure of a high commission or DCA was not a cause of unfairness in these circumstances, since the consumer was doing their own shopping around and the broker was finding them the best deal on offer.

Our response

Motor finance agreement

We are keeping the definition of a motor finance agreement that we consulted on, but we have made some technical changes to align with our decision to have 2 schemes. Rather than 1 definition covering the period 1 April 2007 to 1 November 2024, the definition will relate to the period of

time covered by the relevant scheme. The scheme rules will not apply to agreements that were not regulated. This means that for the purposes of Scheme 1, agreements taken out between 1 April 2007 and 5 April 2008 will only be considered motor finance agreements if the amount of the credit did not exceed £25,000.

We explained in [PS25/18](#) that the unfair relationship provisions in the CCA do not apply to complaints about regulated consumer hire agreements, including PCH agreements (which we refer to as leasing agreements to avoid confusion with hire purchase products, which are types of credit agreement). So, we are not amending the definition of a motor finance agreement to incorporate them. We will continue to work closely with the Financial Ombudsman (in line with our respective statutory functions) to ensure a consistent and complementary approach to handling these complaints.

Motor vehicle

We are keeping the definition of a motor vehicle as consulted on.

We believe the concerns raised by respondents about the types of vehicles covered are more appropriately addressed elsewhere. For example, our definition of a consumer means that agreements involving limited companies, limited liability partnerships, and partnerships consisting of more than 3 persons will be outside of the scheme. Agreements that were exempt from the consumer credit regime, such as agreements with a credit value of over £25,000 for business purposes are outside of the scheme.

We recognise respondents' concerns about the inclusion of luxury vehicles within the scheme. We have set out in Chapter 4 why we have decided that agreements with loan values above the 99.5th percentile for each year of the scheme will not be scheme cases.

Commission and commission arrangement

We are keeping the definition of commission set out in our draft rules. We are making this clear as we have identified that the draft rules and the definition set out in CP25/27 were not fully aligned.

For the purposes of the scheme, commission is any commission, fee or other form of remuneration payable (directly or indirectly) by a lender, to a credit broker in connection with the entering into of a specific motor finance agreement.

However, we have decided to add guidance to clarify that the definition of commission:

- Captures commission that is payable indirectly. This includes where commission that a broker was entitled to receive was paid to the broker through an intermediary (including another credit broker) or by another third party, eg under an arrangement where another company in the same group as the lender has agreed to make the payment.

- Includes that it does not matter if different commission sums within the total amount of commission were payable to different administrative functions of the broker, or at different points in time.
- Will not capture sums that were payable for meeting aggregated transaction, performance, or 'volume' targets rather than attributable to specific motor finance agreements entered into by consumers.

It is clear that the industry has some broad terms that it uses to describe arrangements that have the potential to operate differently between firms.

Using our definition and accompanying guidance, we expect firms to be able to establish whether or not there was commission based on their understanding of the nature and structure of their payments. Where a firm is in doubt about this and is minded to conclude that a payment is not a commission, it can get in touch with its supervisor and explain its reasoning. We will assist the firm in ensuring that it is reaching a view that is consistent with our policy intent.

Total amount of commission

Our definition of the total amount of commission includes where commission was payable under more than 1 type of commission arrangement (for example, where commission was payable under both a discretionary commission arrangement and a fixed fee commission arrangement). We understand that scenarios in which this occurs could involve:

- An amount calculated as a % of the amount of credit advanced.
- An amount calculated by reference to the rate selected by the broker under a DCA.

The starting point should be that these are both types of commission payment for the purposes of our scheme's definition of commission.

If, for example, the broker was nominally entitled to receive commission calculated as a percentage of the amount of credit advanced, but the amount was subject to the broker's rate selection under a DCA, the total amount of commission for the purposes of the scheme will be the total amount the broker was entitled to receive, having taken into account the calculations under both the DCA and fixed fee arrangements.

If the sum resulted in an amount that is at or below the de minimis threshold, there would be no relevant arrangement, and the firm would be required to treat the agreement in line with the scheme rules for cases with no relevant arrangements.

Multiple brokers

This could cover scenarios where the firm makes payments to more than one broker in respect of the same agreement, as well as where the lender makes the payment to one broker who then passes some of that on to a second broker.

We are satisfied that the definition of total amount of commission is consistent with the intention to capture all such payments. This position aligns with our view that it is the entire amount of commission that is material to the consumer.

We consider the firm to be well placed to have full visibility of all commission paid and therefore to ensure that it was adequately disclosed.

Multiple agreements used to finance a single vehicle sales transaction

We are maintaining the position we consulted on where multiple agreements were used to finance a single vehicle sales transaction. In order to identify whether the arrangement was either a high commission arrangement or a very high commission arrangement, the total amount of commission should be calculated by aggregating the relevant amounts for each motor finance agreement. We set out how firms should calculate redress where liability arises in such circumstances in Chapter 12. Where a single vehicle sales transaction was financed by more than one motor finance agreement, firms should also aggregate the commission payable under each agreement when assessing whether the total commission exceeds the relevant schemes' de minimis thresholds.

Primary brokers and four party transactions

Our view remains that, although inadequate disclosure by a broker to which section 56 CCA applies will be a significant factor in an unfair relationship assessment, it is not a pre-condition of an unfair credit relationship arising. It does not prevent the application of section 140A CCA in instances where section 56 CCA does not apply to the credit broker.

The nature of an undisclosed commission paid by a firm is also a significant factor in an unfair relationship assessment. And we consider that, even in the absence of regulatory failures by the credit broker that are attributable to the lender under section 56 CCA, it is likely that there would still be an unfair relationship arising out of the lender's own failure to adequately disclose the relevant arrangement.

We agree that primary brokers can facilitate customers getting competitive deals and play an important role in helping non-prime consumers source credit. It doesn't follow that failure to disclose high commission in these cases is therefore not unfair. But we agree there is an argument that the customer hasn't lost out if the primary broker went through a selection process to secure the lowest lending rates and selected the lowest rate available for the customer. This is addressed by the changes to the no better deal (NBD) rebuttal, set out in Chapter 10, to allow a broader range of evidence to demonstrate that the customer received the lowest rate on offer from a panel.

Consumers in scope of the scheme

Definition of a consumer

3.34 We proposed aligning the definition of a consumer for the purpose of the scheme with the scope of protections provided by the CCA. This means individuals, including sole traders, entering into regulated credit agreements as well as:

- Partnerships consisting of 2 or 3 persons not all of whom are corporate bodies.
- Unincorporated bodies of persons which does not consist entirely of bodies corporate and is not a partnership.

3.35 We asked:

Question 5: Do you agree with our proposed definition of a consumer?
If not, please explain why you do not agree and any other options we should consider

Feedback

3.36 There was broad agreement with our proposed definition. However, consumers and consumer organisations did not agree with the proposed definition argued it should be broader and reflect the type of complainant who is eligible to refer a complaint to the Financial Ombudsman. Some respondents suggested we align it more with particular customer types and not include business customers and high net worth individuals.

3.37 Some firm representatives did not disagree with the proposed definition but expressed practical concerns with establishing and tracing current partners and whether a partnership still exists.

3.38 There were also requests for clarity on the treatment of individuals who are or have been subject to insolvency events such as bankruptcy, debt relief orders and Individual Voluntary Arrangements (IVAs). One reason this was requested was because, in the case of Payment Protection Insurance (PPI), many individuals were unaware that redress – where the original policy was taken out prior to bankruptcy – was vested in the Official Receiver as trustee in bankruptcy.

3.39 However, we received other responses that argued insolvent individuals should be treated in the same way as other consumers to avoid unfair gaps in protection.

Our response

We are maintaining the definition we consulted on. We consider it appropriate to align the definition of a consumer with the scope of protections provided by the CCA.

We are not persuaded that potential difficulties in tracing and establishing partners should be a reason for not including them within the definition of a consumer.

Concerns about proportionality have been addressed by only requiring a firm to trace and contact a consumer who has not already complained where a relevant agreement is identified. We have set out our expectation for tracing consumers in Chapter 7 and this includes where, for the purposes of the scheme, the consumer is a partnership.

Given our objective to align the definition with the scope of protection afforded by the CCA, we are not persuaded that the definition should be broader and reflect a type of complainant who is eligible to refer a complaint to the Financial Ombudsman.

Consumers subject to insolvency events

- 3.40** Consumer insolvency events – where the consumer is, or has previously been, bankrupt, or is currently subject to an IVA or other formal insolvency proceedings – can affect the handling of scheme cases. As highlighted by insolvency bodies, in bankruptcy, the legal entitlement to redress arising from agreements entered into before the date of bankruptcy normally vests in the trustee rather than the consumer. This means that the trustee generally holds the legal right to join the scheme and receive the redress payment. In other insolvency procedures such as IVAs, entitlement to redress can depend on the terms of the arrangement.

Feedback

- 3.41** Insolvency bodies suggested that early mandatory checks by firms and PRs to identify consumer insolvency events, along with allowing redress to go to insolvency estates without opting in, would help reduce inefficiencies and misdirected redress payments that may reduce creditor returns. Given misunderstandings with how insolvency law affects entitlement to redress, respondents suggested the FCA provides further information. Other suggestions included limits on the fees that PRs charge and providing an implementation period and a longer window for insolvency offices to deal with cases.

Our response

Consumer insolvency is not specific to the scheme, with insolvency law also applying in general complaints handling. However, for further clarity, we are providing information to consumers, PRs and firms as set out below. We considered introducing further rules around mandatory insolvency checks by firms. However, we consider this information, along with the implementation periods and scheme timelines covered in Chapter 7, and the consumer communications requirements for firms set out below, to be a proportionate approach to enable the appropriate handling of cases with insolvency events.

Consumers

As set out in paragraph 3.40, insolvency events can affect whether the consumer or the relevant insolvency office holder, such as the bankruptcy trustee (official receiver) or the insolvency practitioner (in the case of IVAs or other formal insolvency proceedings), has the legal entitlement to redress and/or to join the scheme. Consumers should inform their firm, and their PR if they are using one, if they are, or have been, bankrupt or are currently subject to an IVA or other formal insolvency proceedings; they should also inform their insolvency office holder. Our [car finance claims webpage](#) also includes relevant information for consumers.

Professional representatives

PRs – FCA-regulated claims management companies (CMCs) and law firms regulated by the Solicitors Regulation Authority (SRA) – are expected to consider how insolvency events may affect their clients' claims. FCA-regulated PRs are required to check at the pre-contract stage whether the customer is, or has previously been, in an insolvency process or arrangement. SRA-regulated PRs are expected, through its Standards and Regulations, to make sure they have appropriate authority to pursue the claim (that authority does not vest elsewhere, for example) and to advise clients on how insolvency may affect their claim, such as to where redress is paid.

We remind PRs that early identification and appropriate handling of insolvency issues with clients, firms and insolvency office holders will make the scheme more efficient for all stakeholders.

Some respondents suggested a fee cap on the amount PRs can charge when a claim is successful, referencing the 20% cap for PPI claims in legislation. The fees that PRs charge were not part of CP25/27 (with the scheme rules primarily applying to firms) and we are not introducing new PR fees rules here. There are existing fee caps in place for financial services and products claims (from 15% to 30% plus VAT, depending on the amount of redress) for both [CMCs](#) and [law firms](#) to protect against excessive fees. PRs must also act in the best interests of their clients at all times.

We set out more on our expectations of PRs in Chapter 6.

Firms

As in general complaints handling, firms must adhere to insolvency law, ensuring they are dealing with the correct person and paying redress to the legally entitled recipient. Firms should also consider insolvency law in relation to whether they can set-off redress against any arrears or default sums owed by the consumer to the firm in relation to the motor finance agreement, as set out in Chapter 11.

It is in firms' interests to identify consumer insolvency events early in the scheme, for example to reduce the potential for rectifying misdirected redress payments later. Firms may wish to consider using insolvency registers, the London Gazette, and, where necessary, credit reference

agencies to make checks, with efficiencies potentially gained by doing bulk checks early in the scheme. As set out in Chapter 7, credit reference agency checks may also have been carried out when tracing consumers.

We are including a requirement as part of the content in communications that consumers are sent, when redress is due and if the firm requires further clarification, to notify the consumer that they should inform the firm and their insolvency office holder if they have been subject to an insolvency event. The standardised factsheet that firms will be required to provide to consumers will also ask consumers to do this given it may affect where redress should be paid. More information on consumer communications and details of the factsheet can be found in Chapter 9.

We expect firms to work effectively with insolvency office holders to ensure efficient payment of redress, minimising costs and maximising funds available to creditors.

UK residency

3.42 We proposed that the scheme should apply to any consumer with a scheme case, who was resident in the UK at the time of entering into the relevant agreement, even if they are not resident in the UK anymore.

3.43 We asked:

Question 10: Do you agree with our proposal that the scheme should apply to any consumer with a scheme case, who was resident in the UK at the time of entering into the relevant agreement, even if they are not resident in the UK anymore? If not, please explain why you do not agree and any other options we should consider

Feedback

3.44 There was broad support for this proposal.

3.45 Where firms raised concerns they centred around proportionality and methods of communication for non-UK residents.

Our response

We are maintaining the position consulted on. Consumers were protected by the consumer credit regime when they took out their agreement and are still entitled to benefit from these protections, despite no longer living in the UK.

Firms in scope of the scheme

- 3.46** We proposed that the agreement must have been taken out with FCA-regulated firms or holders of an OFT licence, even if they are no longer regulated. As we proposed that the scheme rules would apply to Gibraltar-based firms, this would include businesses based in Gibraltar.
- 3.47** In CP25/27 we proposed the scenario that where another business had assumed the liabilities incurred by a firm that was no longer trading, that business will be treated as a firm for the purposes of the scheme, even if it was never FCA-regulated or held an OFT licence.
- 3.48** The corresponding rules we consulted on required the firm who assumed liability or who acquired the rights and duties of a lender to either itself perform the obligations of the lender or ensure that the original lender carried these out.
- 3.49** We asked:

Question 6: Do you agree with our proposed definition of a lender? If not, please explain why you do not agree and any other options we should consider

Feedback

- 3.50** There was general agreement with our proposed definition of a lender. We also received 1 response from a PR, which was supportive of our proposal to apply the scheme rules to Gibraltar-based firms.
- 3.51** However, consumers and consumer organisations raised concerns about firms escaping responsibility, and the debt purchaser sector raised concerns about the impact on that sector, highlighting difficulties they perceived firms would face when obtaining documentation needed to undertake the steps of the scheme. In addition, there were requests to clarify the position where loan books have been sold.

Our response

We are maintaining the substance of the definition of a lender that we consulted on but we have made some technical changes to align with our decision to have 2 schemes. Rather than one definition covering the period 1 April 2007 to 1 November 2024, the definition will relate to the period of time covered by the relevant scheme. This will mean that for Scheme 1 the definition of a lender will include firms that were carrying on a consumer credit business pursuant to a licence issued by the OFT under the CCA.

We are also introducing rules to address feedback on the need for clarity when a person becomes a creditor for the purposes of an unfair relationship, for example as a debt purchaser. These rules clarify who is

responsible for operating the scheme and how liability is apportioned and paid to consumers in such cases.

The information necessary to assess an agreement in accordance with the rules of the scheme is most likely to sit with the original firm. This is because it had the relationship with the broker and is more likely to hold details of the different models it operated and the arrangements it had in place with various brokers throughout the duration of the scheme. We are introducing rules to ensure firms co-operate to mitigate difficulties they may encounter when obtaining information.

Originating firm still exists and is solvent

We have decided that where the original lender under a motor finance agreement exists and is solvent, that firm will be responsible for administering the scheme. We consider this to be a fair approach because the circumstances which led to the unfair relationship arose at the outset of the agreement.

We recognise that persons such as debt purchasers become liable as creditors in relation to an unfair relationship. Our rules make these firms responsible for paying a portion of the redress that corresponds to the period in which they acquired rights under a motor finance agreement. This will be the case, for example, where there has been a legal assignment of rights in accordance with section 136 of the Law of Property Act 1925, with notice being given to the consumer. The same is not true for an equitable assignment. Our rules make sure that such firms are responsible for paying a portion of the redress that corresponds to the period in which they acquired rights under a motor finance agreement. Where there is more than one purchaser involved, our rules will apportion redress between each person for the period in which each held the loan. This is with an exception for persons who obtained rights under a motor finance agreement after the fixed period of the loan.

To avoid a disrupted consumer journey, this portion of the redress will be paid in a timely manner to the original lender who will then pay the full redress amount to the consumer in a single payment and within the timelines provided for in the scheme.

We have decided that this will provide a smooth consumer journey. It will also prevent the duplicative administrative costs which would be incurred if multiple parties needed to engage directly with a consumer.

We are introducing a rule to require original lenders to identify persons who have acquired rights under a motor finance agreement and to keep them informed of the steps the lender takes under the scheme. Our [Dear CEO letter](#) of 7 October 2025 said that if a firm had sold a loan book to another party, they should identify the acquiring party and clarify how responsibilities of any potential scheme and redress liability will be met. We therefore anticipate that many lenders may have already taken steps to identify such firms.

We have decided that if a complaint is made against a purchaser than falls within the subject matter of the scheme and the originating lender still exists and is solvent, the complaint should be determined by the original lender in accordance with the scheme. This will make sure that a complaint made against a purchaser that falls within the subject matter of the scheme will be determined in accordance with the scheme and that the Financial Ombudsman will be bound by this. If a purchaser receives a complaint in these circumstances, it must promptly send the complaint to the relevant lender to be determined under the scheme. It must inform the consumer that it has done this.

Originating firm insolvent or no longer in existence

For motor finance agreements where the original firm is insolvent or no longer exists, but there is another person who obtained rights under the agreement, such as a debt purchaser, then this other person will be the creditor responsible for administering the scheme. This person will be responsible for calculating and paying redress in the same manner as the original lender.

There will also be an exception for persons who obtained rights under a motor finance agreement after the fixed period of the loan.

Rationale

We are satisfied that our position for each scenario is consistent with the provisions of the CCA.

Not everyone who has obtained rights under a motor finance agreement will be authorised by the FCA, as some may rely on regulatory exemption or exclusions. However, such persons remain creditors for the purposes of an unfair relationship matter and the FCA is empowered to make rules with respect to these persons as relevant persons even if they are not authorised.

We consider our final position to be consistent with the principles of a scheme, as it provides a fair approach to determining and paying redress for consumers and firms.

The rules will provide firms and consumers with certainty, and create simplicity for consumers in circumstances where more than one person has obtained rights under the motor finance agreement during the lifetime of the loan.

The rules are not intended to interfere with any rights of indemnity or contribution that these firms may have with one another.

Firm insolvent and no purchaser involved

Some responses asked for clarification on the position if the original firm has entered insolvency proceedings and not sold its book or where it enters proceedings after the scheme starts. In this scenario, we expect the administrator to step into the shoes of the firm and administer the scheme, unless they seek directions from the court not to have to do so.

Chapter 4

Scope of the scheme: Civil limitation and other exclusions

- 4.1** This is the second chapter on the scope of the redress scheme. This chapter covers cases that are not scheme cases and sets out how civil limitation is applied for the purposes of the scheme. We believe that the changes and clarifications that we have made to our proposal, have improved fairness, clarity, certainty and operability of the scheme.

Summary of policy decisions and how they support our scheme principles

- 4.2** Key decisions include:

- Clarifying the position of consumers who have asked the Financial Ombudsman to deal with their complaint.
- Clarifying the position where legal proceedings have been started.
- Introducing a targeted exclusion from the scope of the scheme for high value agreements, based on loan value thresholds, while preserving access to redress through other routes. This reflects **proportionality** and **cost effectiveness**, recognising that a mass redress scheme is not well suited to atypical products, customer journeys or outcomes. However, this targeted exclusion will not apply to agreements used to purchase vehicles with accessibility adaptations, which will remain in scope of the scheme regardless of loan value. This ensures **fairness**.
- Clarifying the treatment of agreements that were cancelled, unwound or settled very early, including how these interact with the scheme's remedy framework and caps. This supports **fairness** and **consistency**, ensuring consumers are not put in a better position than they would otherwise have been, while enabling efficient resolution by firms.
- Clarifying how civil limitation is assessed for the purposes of the scheme, including that limitation is considered when determining whether an agreement is a scheme case, and that firms must apply a fact-sensitive assessment rather than routinely time-barring cases. This supports **fairness** and **certainty** by aligning the scheme with the legal framework governing limitation and reducing inconsistent outcomes.
- Changing our guidance on limitation in cases involving solely high commission arrangements, including clarifying when disclosure of the bare fact or possibility of commission may be sufficient to put a reasonably diligent consumer on notice. This supports **legal certainty**, **proportionality** and **consistency**, while ensuring the scheme do not extend beyond circumstances where a legal remedy would have been available.

- Confirming the role of the Financial Ombudsman where limitation is disputed, including how challenges to firms' limitation assessments should be handled. This independent route of challenge supports **fairness** and **transparency**.

4.3 We proposed that the following cases would not be scheme cases, even if they would otherwise satisfy the conditions to be a scheme case:

- If a consumer has already referred a complaint to the Financial Ombudsman and the complaint falls within the jurisdiction of the Financial Ombudsman.
- If a consumer made a complaint, prior to the scheme effective date, to their lender or broker that related to the subject matter of the scheme and resulted in redress being accepted.
- If a consumer had a case prior to the scheme effective date that related to the subject matter of the scheme decided by the Financial Ombudsman that resulted in redress being accepted.
- If a consumer has accepted an offer of redress in full and final settlement of a complaint or claim that was not about the subject matter of the scheme and the terms of that acceptance extended to cover the subject matter of the scheme. For example, a consumer might have brought a separate claim against the firm for breach of contract which was settled on terms that required the consumer to agree to waive their legal right to bring any future claims based on the agreement. In such circumstances, if the terms of the settlement extend to cover a claim that would fall within the subject matter of the scheme, we expect the scheme to respect that settlement reached between the parties.
- If a consumer had a case decided by a court, prior to the scheme effective date, that related to the subject matter of the scheme, regardless of the outcome.

4.4 We asked:

Question 11: Do you agree with our proposals on which cases should be excluded from the scheme? If not, please explain why you do not agree and any other options we should consider

Feedback

4.5 Consumers and consumer organisations who argued for a narrowing of the exceptions had concerns about the proposal to except cases where disputes had already been heard. They thought that:

- Consumers should not be penalised if they accepted something lower than what they would get under the scheme.
- Consumers might not have understood the terms of the settlement.
- Only consumers who have been to court and received redress should be excepted. Those who lost should still be entitled to have their cases considered under the rules of the scheme.

4.6 Firms and their representatives were concerned that the overly narrow exceptions would be operationally burdensome, especially for smaller firms, and could lead to all firms having to process cases with no consumer harm. Suggestions for additional categories of case that should be excepted from the scheme included:

- cases involving 0% APR or subsidised APR.
- fixed fee or low commission cases.
- negotiated APR at or below base rate.
- high value/luxury vehicles.
- agreements less than 6 months in term.
- agreements that were cancelled in cooling off period or fully unwound.

4.7 There was a consensus among respondents that outcomes should be consistent. Some felt excluding cases at the Financial Ombudsman was unfair and risked inconsistent outcomes for consumers. To address this there were suggestions that the Financial Ombudsman apply scheme rules to all cases.

Our response to consultation feedback on exclusions from the scheme

We are maintaining the general position we consulted on in respect of exclusions from the scheme, with some changes that are summarised at the start of this chapter.

Cases that are determined to be not a scheme case

If a firm determines that a complaint is not a scheme case for any of the reasons set out in CONRED 5.1 or 6.1 (as relevant) it will be required to send a redress determination with the reason why. If the consumer is unhappy with the outcome, they will be able to refer their complaint to the Financial Ombudsman who must first determine whether the firm was correct to find that the complaint was not a scheme case.

If the Financial Ombudsman determines that the complaint is a scheme case, the case will be returned to the firm to continue with the steps of the scheme.

If the Financial Ombudsman determines that the complaint is not a scheme case, it will then consider whether it can and should determine the complaint on the basis of what it considers to be fair and reasonable. More details are set out in Chapter 3 where we discuss how the pause for existing complaints interacts with the scheme.

Consumers with a pending complaint with the Financial Ombudsman

Consumers who have a complaint with the Financial Ombudsman at the date the scheme rules come into force will have their complaint resolved by the Financial Ombudsman. Some respondents were concerned that allowing the Financial Ombudsman to consider complaints already with it could lead to inconsistent outcomes.

However, we cannot require complaints that have been referred to the Financial Ombudsman before the scheme rules come into force and are within its jurisdiction to be returned to firms or included in the scheme. We have been engaging with the Financial Ombudsman as the scheme has developed and as a result the Financial Ombudsman is considering what the scheme rules mean for its determinations of cases that are outside of the scheme.

Cases where the consumer has asked the Financial Ombudsman to deal with their complaint

We said in our draft rules that a case would not be a scheme case where the consumer has, prior to the schemes' effective dates, asked the Financial Ombudsman to deal with a complaint falling within the subject matter of the scheme.

Complaints referred to the Financial Ombudsman prior to the scheme effective date that related to the subject matter of the scheme and resulted in redress being accepted, will not be scheme cases. This is because the Financial Ombudsman will have carried out its own, independent, investigation into the merits of the complaint and the consumer would have had the opportunity to ask the Financial Ombudsman to review the matter if they did not agree with the initial assessment.

Complaints referred to the Financial Ombudsman prior to the scheme effective date that related to the subject matter of the scheme and did not result in redress being awarded will also not be scheme cases. This is also because the Financial Ombudsman will have carried out its own, independent, investigation into the merits of the complaint and the consumer would have had the opportunity to ask the Financial Ombudsman to review the matter if they did not agree with the initial assessment.

Complaints referred to the Financial Ombudsman prior to the scheme effective date that related to the subject matter of the scheme and found to be out of jurisdiction will be able to be scheme cases. These consumers will not have had the opportunity for an independent assessment of the merits of their complaint. Given what we know about firms rejecting over 99% of complaints, we think it is fair to allow these consumers the opportunity to have their cases assessed in line with the rules of the scheme. Unless they submit a new complaint, these consumers will be treated as non-complainants for the purpose of the scheme.

Complaints that have been treated as withdrawn or abandoned by the Financial Ombudsman before it determined the merits of the complaint will also be capable of being scheme cases.

We think it is fair to allow these consumers to have their case assessed in line with the rules of the scheme as they will not have had the opportunity of an independent assessment of the merits of their complaint. The consumer would be able to refer their case to the Financial Ombudsman who would determine the complaint based on whether the firm had applied the rules of the scheme correctly.

For complaints relating to the subject matter of the scheme that have been referred to the Financial Ombudsman prior to the scheme effective date, but which have not yet been processed by the Financial Ombudsman, firms need to wait for the Financial Ombudsman to consider the complaint.

If the Financial Ombudsman considers the merits of the complaint and provides a substantive outcome (ie upholds the complaint and awards redress which is accepted by the complainant or does not uphold the complaint) such complaints will not be scheme cases. If the Financial Ombudsman resolves a complaint in a way that does not involve the merits of the complaint being considered, for example if the Financial Ombudsman finds the complaint to be out of jurisdiction, or the complaint is withdrawn or abandoned by the complainant, then the complaint is capable of being a scheme case. Therefore, firms will need to wait until the Financial Ombudsman has dealt with existing complaints that were referred to the Financial Ombudsman before the scheme effective date and which relate to the subject matter of the scheme before assessing whether that case may be a scheme case that needs to be processed under the scheme. If the Financial Ombudsman resolves the complaint in a way that means it is capable of being a scheme case, firms should process that complaint in accordance with the timelines set out in the scheme rules. If a firm thinks it will be unable to process such a complaint in accordance with the scheme timelines it should contact the FCA at that stage.

Existing complaints and legal proceedings

Complaints will also not be scheme cases where the consumer has:

- Accepted an offer of redress in respect of a complaint that relates to the subject matter of the scheme.
- Accepted an offer of redress in full and final settlement of a complaint that is not about the subject matter of the scheme but the terms of that acceptance extended to cover the subject matter of the scheme.
- Had a claim that related to the subject matter of the scheme decided by a court or tribunal.

We do not believe it would be fair for a firm to have to reconsider a complaint in these circumstances where they have effectively already resolved their complaint and the position is consistent with the objective of providing certainty and finality to firms and consumers.

We have also considered situations where legal proceedings have started in relation to a case that is or has the potential to be considered a scheme case.

We want to avoid firms having to process a complaint through the scheme while having to defend litigation in respect of the same matter simultaneously as it may not be cost effective for them to do so. We are therefore giving firms and consumers the opportunity to take a case through the scheme.

Firms will have the option to pause the scheme's steps until it has confirmation of what is happening with the legal proceedings. If a firm wishes to pause the scheme steps, it must write to the consumer. The communication must make the consumer aware that:

- The firm will pause the handling of the case through the scheme until proceedings are stayed or given permission to proceed.
- If proceedings are stayed, the firm will consider the case under the scheme.
- If proceedings continue (that is, listed for a substantive hearing at which the firm's liability will be determined), the consumer will be treated as having opted out of the scheme and they will not be able to re-join it at a later date.
- If the consumer withdraws proceedings, the firm will assess the case under the scheme but the consumer should take steps to ensure that they understand the implications of withdrawing proceedings on any future action. Depending on the stage at which a consumer withdraws proceedings, there may be cost implications for them such as having to pay legal costs of the firm to the point at which proceedings halted.

Where a case is stayed or withdrawn, the firm must continue to assess the complaint in line with the rules of the scheme.

This approach is consistent with the complaint handling rules in DISP which allow the Financial Ombudsman to dismiss a complaint without considering its merits where the subject matter of the complaint is the subject of current court proceedings, unless proceedings are stayed (in Scotland this is referred to as "sisted") so that the matter may be considered by the Financial Ombudsman.

Our approach recognises that a firm might decide that, although legal proceedings have been started, it nevertheless also wants to process the complaint through the scheme and provide the consumer with a redress determination. Where in such circumstances a redress determination is provided, the consumer could:

- Accept the offer in full and final settlement, which would represent the end of the scheme process and result in the end of any litigation proceedings insofar as they are covered by the terms of the full and final settlement agreement, or
- Reject the offer and continue to pursue the matter through the courts.

The redress determination under the scheme will make clear that the consumer will receive payment of any redress offered and that they could receive the amount offered within 1 month if accepted. Having received a redress determination under the scheme, consumers will have all the information possible to decide whether to accept the offer and discontinue legal proceedings or reject it and continue to court. If a consumer chooses to continue with legal proceedings, they will not be able to return to accept the offer at a later date.

High value agreements and 'luxury' vehicles

Feedback we received on high value agreements and luxury vehicles focused on differences in customer profile (high-net worth individuals who may be more sophisticated or professionally advised), customer journey and business models, and very high redress payments that would be better considered on an individualised basis than under a mass redress scheme.

We are not persuaded by arguments that high value agreements or luxury vehicles should be excluded from the scope of the scheme because their owners would be sophisticated in the relevant sense. As we set out in our response to feedback on Question 49 (Chapter 10), consumers are unlikely to possess the specialist knowledge required to understand whether a relevant arrangement was present without adequate disclosure unless they meet the narrow criteria already captured by the rebuttal. However, we are more persuaded by arguments that consumer concerns about unfairness arising from inadequate disclosure of relevant arrangements in such cases are better dealt with outside a mass redress scheme. The aim of the scheme is to deal with the mass of possible agreements. By their nature, the very highest value agreements are not mass market.

We are, therefore, excluding the top 0.5% of agreements by loan value from the scope of the scheme (subject to an exception for accessible vehicles, below). This does not remove lenders' liability for failing to adequately disclose a relevant arrangement. Consumers can still refer their cases to firms, and ultimately to the Financial Ombudsman. These cases will, however, be determined under the usual complaints handling rules, rather than under the scheme rules which have been formulated based on our analysis of typical customer journeys and mass market products. As set out in Chapter 3, we acknowledge that those complainants whose complaints have been paused and are found not to be scheme cases may have to wait longer for a response. However, we think that this is the right approach to ensure that the question of whether a complaint is a scheme case is determined under the rules of the scheme.

Agreements are excluded from the scheme where the loan value exceeds the 99.5th percentile across a given year, rounded to the nearest £1,000. These thresholds are set out in Table 3 below.

Table 3: High loan value thresholds for exception from the schemes

99.5th percentile loan value, rounded to the nearest £1,000

2007	N/A*	2016	£61,000
2008	£38,000*	2017	£65,000
2009	£39,000	2018	£68,000
2010	£43,000	2019	£70,000
2011	£45,000	2020	£73,000
2012	£47,000	2021	£75,000
2013	£51,000	2022	£80,000
2014	£56,000	2023	£82,000
2015	£60,000	2024	£82,000

* No high value loan threshold is needed for 2007 because, as set out in our response to Question 3 (Chapter 3), before 6 April 2008 loans above £25,000 were not regulated (the corresponding 99.5th percentile threshold would have been £26,000). For the same reason, the 2008 threshold does not apply before 6 April 2008.

These thresholds are based on data from 34 firms representing around 89% of the regulated UK motor finance market, including (but not exclusively) firms belonging to manufacturer groups who sell cars which are typically considered to be luxury vehicles.

We thought carefully about whether this exclusion from the scope of the schemes could have any unintended consequences. We are conscious that accessibility adaptations can be costly, and that purchases of adapted vehicles could be for a significantly higher value than an equivalent unmodified vehicle. Agreements used to purchase such vehicles remain in scope of the scheme regardless of loan value. We recognise firms may not hold detailed information on modifications made to vehicles purchased under agreements with them. We would, however, expect them to consider whether other contextual factors (for example, characteristics of the customer the firm has on file, or a loan value which is not commensurate with the model of car purchased under the agreement) may indicate a vehicle falls into this category before relying on the high value loan exemption.

Very early settlement and cancelled/unwound agreements

We are amending the rules to clarify that agreements that were cancelled under a statutory or contractual right of withdrawal or cancellation within an initial notice or cooling off period are not scheme cases.

We are keeping agreements which settle very early into their term within the scheme, with redress due where inadequate disclosure of a relevant arrangement gives rise to an unfair relationship that caused the consumer loss. This is because the consumer would still have paid a higher APR than they should have, albeit for a shorter time-period. Changes elsewhere in the scheme (see the introduction of caps on redress in Chapter 12) will, however, limit the redress the consumer is paid accordingly to avoid them being put in a better position than

they would have been absent the unfairness. Firms will have the option of using settlement offers to resolve such cases quickly at minimal administrative cost.

Civil limitation

- 4.8** To be a scheme case, the limitation period for bringing a legal claim must not have expired before the scheme rules are made. In CP25/27, we proposed that firms assess whether a case is in time for the scheme at the point of determining whether it is a scheme case.
- 4.9** Section 140A of the Consumer Credit Act 1974 (CCA) claims are normally subject to a 6-year limitation period in England, Wales and Northern Ireland, running from the end of the credit relationship (section 9 of the Limitation Act 1980 (LA) and similar legislation applies in Northern Ireland). Under section 32(1)(b) LA, if any fact relevant to the claimant's right of action has been deliberately concealed from them by the defendant or its agent, the period of limitation will not begin to run until the claimant has discovered the concealment or could with reasonable diligence have discovered it.
- 4.10** In the guidance on the application of section 32(1)(b) LA on which we consulted, we proposed that the facts relevant to the consumer's claim are likely to be the same as the information required for there to have been adequate disclosure for the purposes of the scheme's unfair relationship assessment. And that a failure to adequately disclose a relevant arrangement (that is, a DCA, high commission or tied arrangement) is also likely to amount to 'deliberate concealment' of a fact relevant to the consumer's claim that the consumer could not, with 'reasonable diligence', have discovered. In particular, we said that it was unlikely that partial disclosure (eg that commission 'may be payable' or commission 'would be payable' or 'is' payable), would be sufficient to allow firms to successfully argue that the consumer is unable to rely on section 32(1)(b) LA. Therefore, we said that we did not expect lenders 'to be routinely finding that a case is out of time for the scheme'.
- 4.11** In Scotland the time-limits – referred to as prescription – applicable to bringing a legal claim are governed by the Prescription and Limitation (Scotland) Act 1973. We explained our view that this legislation does not impose a time limit on section 140A CCA claims, or a remedy awarded pursuant to section 140B CCA.
- 4.12** We also proposed that the limitation assessment be made at the point at which the firm determines whether a case is a scheme case.
- 4.13** We asked:

Question 8: Do you agree with our view that lenders should not be routinely finding that a case is out of time for the scheme? If not, please explain why you do not agree

Question 9: Do you agree with our proposal that civil limitation should be assessed at the point the lender determines whether a case is a scheme case? If not, please explain why you do not agree and any other options we should consider

Feedback

- 4.14** Feedback is grouped into 2 themes relating to (1) our limitation rules and guidance and (2) when the limitation assessment should take place.

Responses on our rules and guidance on limitation

- 4.15** A number of respondents (including consumers, consumer organisation and representatives, firms and trade associations) agreed that firms should not routinely time-bar cases. Many consumers and consumer organisations took the view that, given the FCA had found that non-disclosure of commission was 'systemic' and 'widespread' and that many consumers were unaware they had cause to complain until the FCA's public statements, it would be inappropriate for firms to use limitation as a routine defence.
- 4.16** Many consumers, consumer organisations and consumer representatives agreed with our proposed guidance on the application of section 32 LA in the scheme. A few consumer stakeholders, however, proposed that firms should not be allowed to bar cases on limitation grounds at all.
- 4.17** Some consumers and consumer organisations strongly argued that firms should not conduct the limitation assessment because they would not be able to assess limitation in a fair and unbiased manner. One respondent raised the risk of onerous procedural hurdles for consumers if they have to challenge incorrect time-bar decisions.
- 4.18** By contrast, some firms suggested that the correct approach was to apply a 6-year statutory limitation period across the scheme (to cases in England, Wales and Northern Ireland). We were also asked to consider multiple other alternative approaches including applying the time limit rules in DISP 2.8.2R for the scheme, or aligning the time limit rules in DISP for motor finance complaints outside the scheme with the limitation guidance in the scheme.
- 4.19** A number of firms supported a trade association's proposal that the FCA should bring a test case on the correct approach to the law on limitation in motor finance commission disclosure cases. Many respondents asked for more detailed guidance.
- 4.20** A number of firms, trade associations and law firms associated with lenders disagreed strongly with our view that a failure to adequately disclose any of the relevant arrangements is also likely to amount to 'deliberate concealment' for the purposes of limitation. They argued that the FCA had wrongly conflated the regulatory concept of 'inadequate disclosure' with the statutory concept of 'deliberate concealment'. A number of respondents considered that, where consumers were told about the existence or the possibility of commission (eg that 'commission may be paid'), there was no 'deliberate concealment': either because the 'relevant facts' were not concealed, or

because if there was concealment it was not deliberate within the meaning of the term in the LA. Some also argued that, if a consumer was told of the possibility of commission, they could have discovered the relevant facts with 'reasonable diligence' such that time should not be extended under section 32(1)(b) LA.

4.21 Other points made about 'deliberate concealment' by some of these respondents were that:

- there should be no 'deliberate concealment' if disclosure was made in compliance with regulatory requirements applicable at the time; and
- there would have been no deliberate concealment in cases involving primary brokers as the consumer could reasonably infer commission exists if they are not paying the broker directly.

4.22 Some respondents disagreed with the FCA's view on limitation (prescription) under the law in Scotland, pointing out that in two recent cases the courts had found that a 5-year time limit generally applies to section 140A CCA claims.

4.23 It was also argued that the FCA misinterpreted the law by reversing the 'burden of proof' that applies in civil litigation where a claimant wishes to rely on the extension of limitation under section 32(1)(b) LA. It was suggested that firms should not be required to demonstrate adequate disclosure, and that it should be for consumers to demonstrate that the statutory limitation period had been extended where their agreement had ended more than 6 years ago. Some firms said this reversed 'burden of proof', combined with the proposed scheme's long time period and the practical difficulties firms face in obtaining records for historic agreements, would place firms at a significant disadvantage in defending claims that should be considered out of time, and that this was particularly detrimental to smaller firms.

4.24 By contrast, one law firm argued that 'the purpose of the redress framework is to deliver fair outcomes across a large population of consumers, not to replicate the procedural boundaries of court claims'.

Our response

Although we have broadly maintained the overall approach we consulted on, we have decided to make a change to our guidance on limitation for cases in England, Wales and Northern Ireland, which relates to cases involving solely a high commission arrangement (without an inadequately disclosed DCA or tied arrangement). For such cases, our guidance is amended to reflect our view that a court would likely accept arguments that clear and prominent disclosure of the fact or possibility of commission was sufficient to put the consumer on notice to discover, with reasonable diligence, the other information relevant to their claim (namely that the commission was indeed paid and the amount of commission that was paid). We also maintain the position that it is for firms to demonstrate that limitation period will not have been extended.

Our proposed guidance on Scottish law (which is that there is no relevant period of prescription) is unchanged.

In accordance with our powers as set out in section 404 of the Financial Services and Markets Act 2000 (FSMA), we can only include in the scope of the scheme cases where the limitation period for bringing a legal claim has not expired before the scheme rules are made. The limitation assessment in each case will, therefore, be conducted with reference to whether the case would have been time barred before the scheme rules are made.

Our guidance

Our guidance on limitation is based on our interpretation of the law in this area and how we expect the courts would approach limitation issues in court proceedings, considering the evidence on inadequate commission disclosure found in our work. It is also informed by our regulatory judgement, in the context of a large-scale redress scheme, in arriving at an approach that is capable of being operationalised at scale. Through our guidance we are aiming to minimise inconsistency in decisions on limitation (and disputes that may follow) and to inform both firms and consumers of the relevant legal principles that we consider would be relevant to the assessment of cases of this type.

We consider that the limitation assessment is a fact sensitive one and must be conducted on a case-by-case basis. A bright line cut-off date for all cases would not, in our view, be consistent with the law on limitation. It would also prejudice consumers whose cases are likely to still be in time to bring a claim due to the extension of time under section 32(1)(b) LA. Firms should, therefore, not routinely time-bar cases just because the agreement had ended 6 years before the scheme rules are made (ie only applying the statutory period of 6 years without considering whether it has been extended). However, this does not mean that we expect firms to presume that all such cases would be in-time for the scheme.

We also acknowledge that the tests for liability under section 140A CCA and extending time under section 32(1)(b) LA are not the same. However, simply because the statutory tests are different does not mean that there will be significant divergence of the facts which are relevant to the application of these tests, ie the unique facts of motor finance agreements involving inadequate disclosure. The cause of action under section 140A CCA, on the facts of these scheme cases, is fundamentally concerned with non-disclosure of a key fact, so we consider that there is a natural overlap between the facts which are relevant to the 2 legal issues. As a matter of law, there is also a clear similarity between inadequate disclosure and deliberate concealment, such that the same fact pattern may well satisfy both tests. We are also mindful of the need for a comprehensive, clear, consistent and cost-effective scheme that can be operated at scale.

In our view, the facts that are relevant to a claim of this nature are not merely the commission, but its nature or features that the consumer needs to know about, to be able to formulate their claim. As a result, subject to the exception for certain high commission cases which we

explain below, we maintain our view that, unless the relevant information was clearly and prominently provided to the consumer (namely, the information that is required for the DCA, high commission or tied arrangement to have been adequately disclosed for the purposes of the unfair relationship assessment), a fact relevant to the consumer's claim is likely to have been deliberately concealed and it is unlikely that the consumer could, with reasonable diligence, have discovered it.

This includes cases involving DCA or tied arrangements where just the bare fact of, or possibility of, commission being payable (eg that commission 'would' be, 'may' be, 'is' or 'is typically' payable) has been disclosed to a consumer. In our view it is unlikely that a consumer could with reasonable diligence, have discovered the relevant facts about the tied arrangement or DCA. For example, even if there was disclosure that a commission would be paid, it is unlikely that a disclosure of this nature would, in and of itself, be sufficient to mean that there was no concealment of the fact that the credit broker was permitted to select the interest rate in a way that affected the amount of commission they were paid. Nor is it likely that the claimant could, with reasonable diligence, have discovered that fact based on such a disclosure.

However, having carefully considered consultation feedback, we accept that, where there was clear and prominent disclosure of the bare fact of or possibility of commission (eg that commission 'would be', 'may be', 'is' or 'is typically' payable), it is likely that a court would find that the amount of commission would, with reasonable diligence, have been discoverable by the consumer before the primary limitation period started to run at the end of the agreement. For example, by the consumer making further enquiries with the broker or lender about whether commission was in fact paid (if they were only told about the possibility of a commission payment) and its amount. The result is that time would likely not be extended under section 32(1)(b) LA, in cases involving only a high commission arrangement where there was disclosure of this type.

We have amended our guidance to that effect. We have also provided some additional guidance on clear and prominent disclosure which firms should apply for both limitation assessment and the assessment of the adequacy of disclosure under the scheme rules (see Chapter 10).

Despite the changes described above, we do not agree that a consumer put on notice to discover the concealment of a high commission for limitation purposes (by the mention of the fact or possibility of commission) will necessarily have been given sufficient information to prevent their credit relationship being unfair under the CCA. The purpose of the 'reasonable diligence' provision in section 32(1)(b) LA is to prevent stale claims, rather than determine substantive questions of the adequacy of disclosure or unfairness.

We note some respondents' view that there cannot have been 'deliberate concealment' in the absence of a regulatory duty to disclose. However, the relevant case law makes clear that there is no requirement for there

to be a duty to disclose for section 32(1)(b) LA to apply – in other words the question of deliberate concealment is not dependent on a breach of a legal duty. In *Canada Square Operations Ltd v Potter* [2023] UKSC 41 (*'Potter'*), the Supreme Court also made clear that concealment of the commission can be 'deliberate' where there was a conscious decision not to disclose it. In our view a court is likely to find that lenders, and their credit brokers, were sufficiently sophisticated operators to have thought about what to say, and not to say, about the commission and the tied arrangements they were operating.

We also think it is unlikely that, in most cases, a court will find that consumers became aware of the concealment in their case because of media coverage or the FCA's public announcements about motor finance commission as these were too general to reveal the specifics of the consumer's own claim. In *Potter*, the Supreme Court considered that the claimant only found out about the commission when she visited her lawyer shortly before the claim was commenced – that is there was no suggestion that the mere fact of the seminal Supreme Court PPI judgment (*Plevin*) or other regulatory announcements would or should have put her on notice, and that she could with reasonable diligence, have discovered the commission.

Primary brokers

We do not agree with a respondent's view that there is no deliberate concealment in cases involving primary brokers because the consumer could have, in the respondent's argument, 'inferred' that commission was paid by someone else because they do not pay the broker directly. This is because our view is that the courts would not likely find that the mere absence of direct payment to the broker, would be sufficient to prompt the consumer to make enquiries about the commission arrangements to discover the facts relevant to their claim.

Scottish law

We maintain the view that there is no limitation / prescription period for section 140A CCA claims in Scottish law. The recent Scottish Outer House cases cited by some respondents do not, in our view, provide authority that a 5-year prescription period applies to CCA claims in Scotland. No detailed submissions were heard on the point and the Scottish Law Commission's view (that CCA claims fall outside of the prescription legislation in Scotland) was not before the Court in these cases.

Burden of proof

We agree with some respondents' observation that the practical effect of the limitation guidance is that firms are required to demonstrate that the limitation period had not been extended in a case before determining that it is time barred. While we agree that, in civil proceedings, the burden of demonstrating deliberate concealment under section 32(1)(b) LA would fall on the consumer, such an approach would be difficult and impractical to reflect in a large scale firm-led redress scheme where the firm is the main

party likely to either hold, or be able to obtain, the relevant information. We also consider that evidence of market-wide non-disclosure (as we set out in the updated [Diagnostic Report](#)) is likely to be a highly relevant factor that claimants would seek to rely upon, and a court may take into account, in considering limitation in this context. Being mindful of this and the substantial practical difficulties for consumers to evidence the matters pertinent to a section 32(1)(b) LA analysis as part of a scheme under which firms investigate and process motor finance cases, we consider that requiring firms to assess limitation and demonstrate that time will not have been extended, is the best way to operationalise limitation assessment while also maintaining clarity, consistency and certainty.

Lenders to conduct limitation assessment

We maintain the view that the firm-led principle of the scheme as a whole should apply equally to the limitation assessment. Given the large volume of cases, it is not practicable or proportionate for the FCA or the Financial Ombudsman, to carry out the limitation assessment for all relevant cases. Our supervisory approach is designed to ensure that the limitation assessment by firms is conducted fairly and consistently across cases (see Chapter 13).

Test case

A test case could potentially help to clarify the application of the law on limitation in the motor finance context. We however have seen fact patterns regarding disclosure of commission in motor finance transactions vary greatly across firms and over time, so it would be challenging to identify a set of fact patterns for the test case, that can be considered representative of most scheme cases. A test case would also take months (if not longer) to resolve, causing potentially extensive delays to the scheme. On balance, having considered consultation feedback on this issue, we consider that the delay to consumers receiving redress outweighs any potential benefit which a test case might bring.

Relevance of DISP rules

The time limits in DISP are not applicable to the determination of limitation issues under the scheme, where it is the law on civil limitation (or in Scotland prescription) that is relevant. We do not consider that there is a good reason to treat motor finance cases outside the scheme differently from any other DISP complaints in terms of time limit.

Consumer communications

If a consumer's case involves at least one relevant arrangement but is considered out of time for the scheme, they will be contacted and given a redress determination, regardless of whether they have complained. They would be informed that no redress is due and be explained:

- the details of the relevant arrangements present in their case.
- that their case is not a scheme case because the limitation period had ended before the scheme rules were made and the reasons for that decision.

- that they can object to the decision and refer their case to the Financial Ombudsman if they are not satisfied with the outcome.

See Chapter 8 for more details on this.

At which stage of the scheme limitation assessment should take place

- 4.25** Consumers and consumer organisations strongly agreed with our proposal as to when the limitation assessment should take place, as they consider it provides appropriate protection to consumers.
- 4.26** A number of firms and trade associations disagreed with our proposal to assess limitation at the outset that is at the point when the firm is determining whether a case is a scheme case. They argued that this approach (given it will preserve consumers' ability to take their case to the Financial Ombudsman subject to meeting the Financial Ombudsman's own time limits) would undermine the scheme's principle of finality, simplicity and consistency and would incur additional costs for firms and the Financial Ombudsman and potentially confuse customers. Instead, they proposed that limitation should be assessed as part of the liability assessment to improve operational efficiency and avoid substantively similar cases receiving different outcomes inside and outside the scheme.

Our response

We have decided, in line with the proposal consulted on, that limitation assessment must be assessed at the point when the firm is determining whether a case is a scheme case.

An alternative approach would involve assessing limitation at the liability stage so that even if time-barred on limitation grounds, the cases remain within the scheme. The result of this would be that the Financial Ombudsman would only be able to consider whether the firm had applied scheme rules correctly. If it determined that the firm had correctly time-barred the case, it would not consider the complaint on the basis of what it considers fair and reasonable for that individual complaint. Having carefully considered firms' legitimate concerns including regarding additional costs and delaying finality in some cases, we have decided to maintain our proposal in order to protect consumers who preserved their position for the purpose of the Financial Ombudsman's time limit rules by making a complaint to the firm before the start of the schemes (including during the pause to the complaint handling rules).

The role of the Financial Ombudsman

We have also decided that the role of the Financial Ombudsman regarding disputes about limitation assessment, remains the same as proposed in CP25/27. If the consumer does not agree with the firm's redress determination based on a decision that the case is out of time for the scheme, they will be able to refer their case to the Financial Ombudsman to be considered under the scheme rules. If the Financial

Ombudsman decides that the case is a scheme case, it would ordinarily refer the case back to the firm to be assessed as part of the scheme, rather than conduct the scheme assessment itself. If the Financial Ombudsman finds that the case with an existing complaint, was not in time for the scheme, it will consider whether the complaint has been made in time by reference to the rules in DISP 2.8.2R. If it was and all other jurisdiction criteria are met, it will be for the Financial Ombudsman to consider the complaint on the basis of what it considers fair and reasonable in that individual case. We have set out in Chapter 3 our requirements for firms to send a final response to complaints that are found not to be scheme cases where we discuss how the scheme interacts with existing complaints.

Chapter 5

Relevant arrangements and exceptions

- 5.1** This is the third and final chapter on the scope of the redress scheme. It covers the arrangements which we see as strongly associated with an unfair relationship, and which could result in an unfair relationship if not disclosed. These are referred to as 'relevant arrangements', that is, a discretionary commission arrangement, high commission arrangement and/or tied arrangement.
- 5.2** In the CP we proposed that if a scheme case does not involve inadequate disclosure of a 'relevant arrangement', as defined, then the firm must conclude that there is no unfair relationship, and the consumer is not entitled to redress under the scheme. This remains our view. In addition, we have decided to introduce certain exceptions, eg de minimis thresholds. If arrangements fall within these exceptions, they are not relevant arrangements and so are deemed fair. Our policy decisions, and the rationale for them, are explained further below.

Summary of policy decisions and how they support our scheme principles

- 5.3** Overall, we have maintained the broad approach to the scope of the scheme that we consulted on. This reflects our principle of **comprehensiveness**, making sure that consumers do not need to pursue redress through multiple routes such as complaints to firms or the Financial Ombudsman or pursuing legal action through the courts. It also reflects our principle of **certainty**, by providing a clear and consistent framework for determining whether an agreement features a relevant arrangement. However, in response to feedback and further analysis, we have made targeted changes and clarifications to improve **fairness** and **simplicity**, as well as operability.
- 5.4** Key changes and clarifications to the approach we consulted on include:
- Retaining the core definitions of relevant arrangements, and the principle that an agreement must involve at least one relevant arrangement to give rise to unfairness under the scheme, supporting **certainty**.
 - Increasing the threshold for a high commission arrangement to 39% of the total cost of credit and 10% of the loan amount (from 35%/10%). This reflects the application of a regulatory judgement to identify commission levels as a proportion of the total cost of credit and loan amount that are materially outside normal market practice, supporting **fairness** and **certainty** by reducing the risk of capturing routine arrangements.
 - Excepting captive and white-label tied arrangements with franchised dealers from being a relevant arrangement, where there is evidence that it was possible for a consumer to recognise the relationship between the lender and the broker. This reflects feedback and evidence received and supports **fairness**, by excepting cases in appropriate circumstances.

- Amending the rules so that scheme cases will not involve a relevant arrangement where agreements have zero APR. This supports **fairness** by excluding agreements where it is likely that knowledge of a DCA, tie or high commission would have had no conceivable impact on a consumer's decision-making.
- Clarifying the treatment of DCAs, including circumstances in which a DCA is treated as not giving rise to unfairness. In particular, we have refined how cases are treated where a DCA was present but not acted upon, improving **simplicity** and **consistency** in scheme operation.
- Introducing de minimis commission thresholds, set at £120 for Scheme 1 and £150 for Scheme 2, below which commission is treated as insufficient to give rise to unfairness. This supports **simplicity** and **cost-effectiveness** by excluding agreements where commission is unlikely to have had a material impact on consumer outcomes.

Requirement for a scheme case to feature a 'relevant arrangement'

5.5 We proposed that if a scheme case does not involve inadequate disclosure of a relevant arrangement, the firm must conclude that there is no unfair relationship and the consumer is not entitled to redress under the scheme.

5.6 We asked:

Question 13: Do you agree with our proposal that, if a scheme case does not involve inadequate disclosure of a relevant arrangement, the lender must conclude that there is no unfair relationship, and the consumer is not entitled to redress under the scheme? If not, please explain why you do not agree and any other options we should consider

Feedback

5.7 We received broad support for this proposal.

5.8 However, there was considerable overlap between responses to this question and responses to questions on the definition of relevant arrangements, the adequacy of disclosure, and how unfairness should be addressed.

Our response

We are maintaining the position consulted on.

We consider this to be a core principle of the scheme, and we received broad support for it.

Where feedback to this question related to matters that were broader than this specific proposal, we have responded to them where we consider it most appropriate to. Our final position on the definitions of relevant arrangements, for example, is set out in the following sections.

Relevant arrangement definitions

Discretionary commission arrangements

- 5.9** We did not consult on the definition of a DCA for the purposes of the scheme. This is because a DCA is already defined in the Handbook. Accordingly, a DCA would be present where the broker had discretion to set or influence the interest rate or other key pricing terms in a way that increased or reduced the commission they received from the lender.

High commission arrangements

- 5.10** We proposed that a scheme case should be treated as involving a high commission arrangement where the commission was equal to or greater than 35% of the total cost of credit and 10% of the loan and that both limbs must be met. We explained that this threshold reflected the point at which our economic analysis best indicated that borrowing costs may have been more strongly affected, and in some cases disproportionately elevated, by the commission.

- 5.11** We asked:

Question 15: Do you agree with our proposed definition of a high commission arrangement? If not, please explain why you do not agree and any other options we should consider

Feedback

- 5.12** We received extensive feedback on our proposed definition of high commission and the 35%/10% threshold. Respondents engaged with the conceptual basis of the threshold, the economic modelling informing it, its legal foundation, and the operational and behavioural assumptions the FCA relied upon. Feedback from respondents showed significant divergence in views, but with several clear themes emerging.

A lower threshold

- 5.13** Many consumers, consumer organisations and professional representatives (PRs) were broadly united in the view that the FCA's proposed definition of a high commission arrangement was set too high and risked excluding many consumers who, in their assessment, experienced clear detriment arising from undisclosed commission structures. This was supported by the findings of a survey submitted by one respondent that a significant proportion of consumers would have changed their behaviour had they

known their interest rate was higher because of commission — for example by seeking further information, considering alternative finance options, or attempting to negotiate — with only a small minority indicating it would have made no difference. We note this as evidence that consumers care about the amount of commission itself, not only the APR, and that undisclosed commission can materially influence decision-making.

- 5.14** Consumers and consumer organisations argued that consumers can be highly sensitive to relatively small differences in the cost of credit, particularly those in more financially constrained circumstances. They highlighted behavioural evidence showing that many consumers focus on marginal changes in monthly payments, rather than the total charge for credit, and that even modest differences could plausibly influence decision-making where commissions were not disclosed.

Concerns about the empirical basis of the high commission threshold

- 5.15** We received extensive feedback from firms, trade bodies, economic consultants engaged by lenders and trade bodies and other stakeholders on the proposed high commission threshold. Respondents raised a range of concerns about the empirical basis for the threshold and the economic analysis that helped to inform it. Given the level of detail provided in [Technical Annex 1](#) we summarise the key points raised here:

- **Concerns about empirical robustness:** Many stakeholders argued that the threshold lacked a sufficiently robust empirical foundation. They considered that, because the CP described the threshold as indicative rather than a precise cutoff, it could not provide a fair or reliable basis for determining liability.
- **Methodological concerns:** Respondents raised a wide range of challenges relating to the economic analysis, including the methodology used, the interpretation of the results and whether the analysis supported the proposed 35%/10% threshold.
- **Sample period of the data set:** Some respondents argued that the sample period used for the analysis was too narrow relative to the full redress period. They suggested this limited coverage risked failing to capture the full range of market conditions, business models and pricing practices relevant to earlier years.
- **No causal relationship:** Many stakeholders pointed out that the analysis identified only an association between higher commissions and higher borrowing costs, not a causal link. Although the consultation made clear that the analysis was not designed to be causal, respondents argued that the absence of causality weakened the justification for the threshold.
- **Non-disclosure:** Some respondents questioned whether the econometric results provided a sufficiently strong basis for the threshold, arguing that the analysis did not demonstrate consumer harm arising specifically from non-disclosure, which they considered central to determining any appropriate threshold.

Concerns about the dual limb threshold

- 5.16** A very large proportion of lenders and brokers raised concerns about the risk of false positives arising from the dual limb threshold. While the reasoning varied, the concerns converged around the idea that the 2 limb structure could inappropriately capture transactions, purely due to mathematical effects unrelated to consumer harm or broker incentives.
- 5.17** Firms explained that when a consumer takes out a low APR or short-term loan, the total cost of credit is naturally low, meaning that even modest commissions can exceed the 35% threshold. Respondents gave examples where customers received very competitive APRs, yet the commission appeared 'high' as a share of total cost of credit, resulting in redress being triggered for consumers who had, in their view, received 'good value' credit.
- 5.18** Similarly, respondents operating fixed fee and flat fee commission structures said that the 2 limb structure incorrectly captures these models. They noted that flat fees:
- are not linked to APR.
 - do not vary with loan size.
 - have historically never been viewed as harmful.
 - can appear high relative to total cost of credit in small loan scenarios.

Concerns about *Johnson* and related case law

- 5.19** We also received feedback from lenders and brokers that our approach to the definition of high commission misinterprets the Supreme Court's judgment in *Johnson* and is not supported by case law.
- 5.20** Some respondents suggested that *Johnson* concerned a unique set of facts which the Court evaluated holistically. They argued that the unfairness in *Johnson* depended on a convergence of factors, including:
- a very high commission (55%/26%).
 - a concealed contractual tie between lender and dealer.
 - disclosure that created a misleading presentation of an independent broker role.
- 5.21** Respondents who provided this feedback argued that the FCA had misinterpreted one aspect of *Johnson*, noting that the Court did not endorse any numerical 'tipping point' or suggest that a particular commission percentage could, by itself, render a relationship unfair. They emphasised that the Court's reasoning was fact-specific and drew on a range of factors, including the borrower's ability to understand the commercial relationship, the nature of the disclosure, and the presence of the concealed tie.

- 5.22** Some respondents also pointed to *Clydesdale*, where a commission of 51% of the total cost of credit was involved and the High Court declined to determine unfairness itself, instead upholding the Financial Ombudsman's discretion in reaching the outcome that it did. They suggested that, taken together, these authorities indicate that commissions below the extreme levels seen in *Plevin* and *Johnson* have not been found to be unfair and that case law does not support a threshold at the level proposed.

Concerns about a multifactorial test

- 5.23** We also received feedback that the threshold was inconsistent with the principles set out in section 140A of the Consumer Credit Act 1974 (CCA). These respondents said that, in assessing whether there was an unfair relationship for the purposes of section 140A CCA, a court considers all relevant circumstances, and that the FCA's proposals risked treating a commission percentage as determinative in a manner that departs from the multifactorial analysis Parliament intended. Some argued that this would amount to an inappropriate elevation of commission levels into a standalone breach condition, when case law shows that nondisclosure must be accompanied by other features. We have addressed these points in Chapter 2, where we explain how the threshold operates consistently with the statutory framework and how the broader multifactorial considerations under section 140A CCA are reflected in the design of the scheme.

Alternative thresholds proposed by respondents

- 5.24** Consumers, consumer organisations and lenders suggested alternative ways of determining when commission should be regarded as sufficiently significant to justify treating its inadequate disclosure as likely to contribute to an unfair relationship. While their specific proposals varied, they generally shared the view that a single, universal percentage threshold may be too rigid to reflect the range of commercial practices and consumer outcomes across the market. Their suggestions broadly fell into 2 themes:
- Consumer pricing
 - Several respondents proposed that the threshold should be linked to consumer pricing rather than commission levels alone. They argued that commission is only problematic where it has a meaningful effect on the interest rate offered, and that consumers may be influenced by relatively small differences in credit cost even when commissions fall below the 35%/10% threshold. Proposed alternatives included both lower and higher thresholds (for example 25%/6%, 40%/20% and 50%/22.5%), and some suggested anchoring the threshold to the levels seen in *Johnson*.
 - Proposed APR outlier approach
 - Respondents also proposed an outlier-based approach for identifying high commission arrangements. In this context, 'outliers' referred not to statistical anomalies or erroneous data points, but to agreements sitting at the extreme upper end of the market distribution—specifically, those with high APRs, combined with commissions, relative to the rest of the market.

- Supporters of this approach argued that examining the distribution of agreements—segmented by credit risk—and testing a range of threshold combinations (both commission as a proportion of the total cost of credit and as a proportion of loan value) would better distinguish genuinely unusual or concerning arrangements. The thresholds proposed ranged widely, from the original 35%/10% through to levels approaching those in *Johnson*.
- The core assumption underpinning this method was that agreements at the top end of the APR distribution were more likely to involve elevated commission levels or conflicted remuneration and therefore merit closer scrutiny. An APR outlier test would, under this model, identify the highest APR agreements as the most likely cases in which undisclosed incentives may have resulted in consumer harm.

Our response

We have carefully considered the feedback we received. As set out in Chapter 2 and [Technical Annex 1](#), we updated our analysis to assess whether on average, higher broker commission is associated with higher borrowing costs for consumers, and what this means for understanding how undisclosed commission can contribute to consumer loss.

We found that there is a statistically significant positive association between commission and the consumer's total cost of credit. On average, a £1 increase in broker commission is associated with a £0.79 increase in the consumer's total cost of credit. As explained in Chapter 2 and [Technical Annex 1](#), this does not imply that a commission is, in of itself, necessarily harmful.

More fundamentally this analysis is consistent with the Supreme Court's observation in *Johnson* that the cost to lenders paying commission to brokers may be recovered indirectly from consumers through the cost of credit. While commission is not inherently harmful in all cases, we consider that there is a level at which the size of commission becomes sufficiently material that it is unfair, as a matter of law, to keep the consumer unaware of it.

High commission arrangements: a commission outlier-based approach

We have adopted an outlier-based approach to identifying high commission arrangements. Our position is that commissions as a proportion of the total costs of credit and loan amounts which sit significantly outside the bulk of normal market practice warrant closer scrutiny because they present heightened risk of consumer harm when undisclosed.

To operationalise this principle, we have examined the distribution of commissions as a proportion of the total cost of credit and loan amount. By examining how commissions are spread across the market—as proportions of the total cost of credit and of the loan amount—we can identify where commissions become outliers.

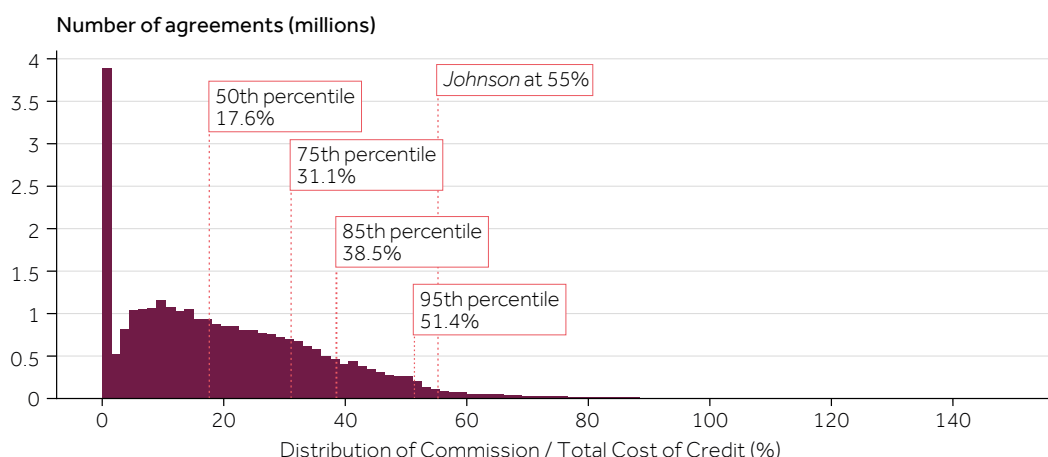
We have decided to set the threshold for a high commission arrangement at 39% of the total cost of credit and 10% of the amount financed. This means failure to disclose the existence and amount of commission at and above these levels would give rise to unfairness. The joint threshold is the point at which the amount of commission should be disclosed to the consumer. It should not be interpreted as setting a threshold for an 'unfair' level of commission. Nor are we making any judgement about the appropriate remuneration for brokers.

The distribution of commission levels provides an objective basis for assessing where commission becomes materially higher than typical market practice and therefore significant enough to require adequate disclosure. In *Johnson*, the Supreme Court referred to the commission in that case as 'lavish' (paragraph 3.34) and noted that its size was 'so high' as to be a 'powerful indication' (paragraph 3.27) that the relationship was unfair if not disclosed. This supports the view that there is a level at which the size of commission is capable of rendering a relationship unfair if not disclosed. However, the Court did not identify where that disclosure trigger lies, nor did it suggest that only commissions at the level seen in *Johnson* could be material to consumers' decision making.

In the absence of a legally defined threshold (either in the statute or case law), we have exercised our regulatory judgement for the purposes of each scheme. Our judgement is informed by market data², on the distribution of commission as a proportion of the total cost of credit and loan amount. By analysing this distribution, we can identify where commission levels become outliers relative to normal practice and where they sit materially above those observed across the majority of agreements. This allows us to identify the level at which the size of commission is capable of rendering a relationship unfair if it is not disclosed. Against this distribution, which is calculated on agreements with zero commission included, the combination of 39% of the total cost of credit and 10% of the loan amount corresponds to values around the 85th percentile of the market.

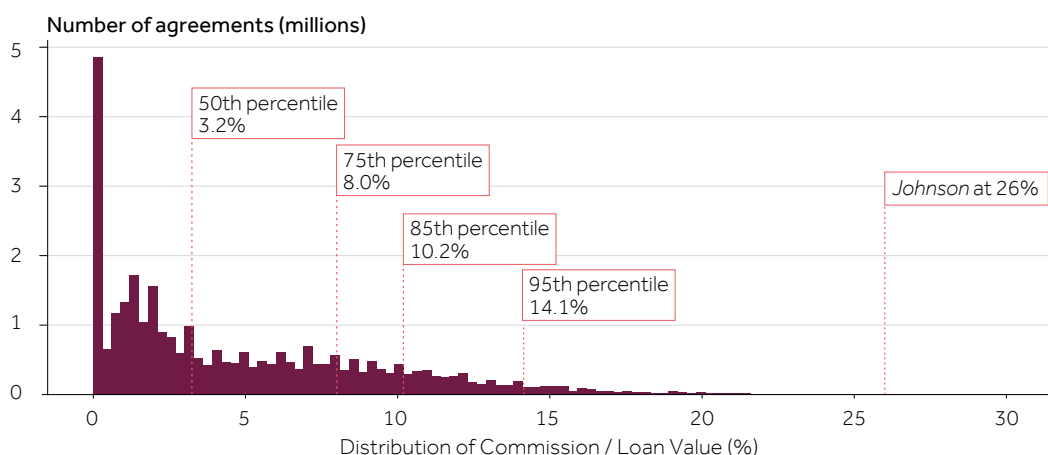
2 Data drop 1, see CP25/27, Technical Annex 1 paragraph 1.31 onwards for details.

Figure 4: Distribution of commission as a percentage of the total cost of credit



Commission/Total Cost of Credit (%) limb for all 28.8m agreements with values between 0 and 150 (inclusive). For presentation purposes we have restricted the x-axis to between 0 and 150 (inclusive). The percentiles are calculated without this filtering.

Figure 5: Distribution of commission as a percentage of loan value



Commission/Loan Value (%) limb for all 31.1m agreements with values between 0 and 30 (inclusive). For presentation purposes we have restricted the x-axis to between 0 and 30 (inclusive). The percentiles are calculated without this filtering.

The 85th percentile reflects a regulatory judgement on where commission becomes sufficiently high to warrant adequate disclosure. In reaching this view, the 85th percentile lies below the levels seen in *Johnson*, which sit above the 95th percentile, while remaining above the upper bound of the interquartile range (the difference between the 25th and 75th percentiles), which captures the middle 50% of agreements. Selecting a threshold at this point therefore reflects a carefully calibrated judgement that the adequate disclosure trigger lies somewhere below the exceptional level of commission in *Johnson*, while remaining sufficiently high to avoid capturing typical or routine commission arrangements.

We consider that both the total cost of credit and loan amount thresholds should be met for an agreement to be treated as a high commission arrangement. Using both measures together does not remove all potential false positives, but it reduces the number of cases that might otherwise be captured where the commission appears high only because of the structure of the loan. This is particularly relevant for certain types of credit—such as very low-APR products, short-term loans or agreements with relatively small balances—where commissions can look disproportionately large relative to the total cost of credit or the amount financed.

The Supreme Court in *Johnson* identified the size of the commission relative to the charge for credit as a relevant factor when assessing whether a commission is sufficiently high to warrant disclosure, and our decision to include this limb is consistent with that finding. The high commission threshold operates alongside the scheme's commission de minimis threshold, which applies an absolute monetary level below which a commission is treated as insufficient to constitute a relevant arrangement.

It is important to note that this definition of a high commission arrangement is specific to the motor finance redress scheme. It is not intended to establish a benchmark for wider consumer credit markets, nor to operate as a general benchmark within motor finance. Rather, it identifies the point at which, for the purposes of this scheme, we consider that the level of commission should have been disclosed.

APR outlier method

We have decided not to adopt an APR-outlier method for defining the high commission threshold. We recognise that testing thresholds against the distributions of agreements in the market is a useful diagnostic tool. However, there are several substantive reasons why an APR-outlier approach is not an appropriate basis for informing the definition of the high commission threshold.

Aligning the definition of high commission to high APRs, segmented by credit risk, focuses on a feature that is always disclosed to consumers. Inadequate disclosure of high commission can affect a borrower's decision making. Using APR as the identifying feature risks misaligning the definition of high commission with the legal rationale underpinning the 2 schemes and our approach in other parts of the 2 schemes.

High APRs may reflect many factors unrelated to the commission paid, (eg loan term). By focusing on APR outliers, the method risks misclassifying agreements as harmful when the driver of the APR is not commission, and missing agreements with significant undisclosed commission where the APR is not unusually high.

Tied arrangements

- 5.25** In CP25/27, we consulted on how the scheme should define and treat tied arrangements between lenders and brokers. We proposed that an inadequately disclosed tie is likely to give rise to an unfair relationship where it materially constrains a broker's independence by giving a lender exclusivity or near-exclusivity over customer introductions. This included arrangements requiring brokers to introduce customers exclusively to a single lender, as well as arrangements requiring brokers to give a particular lender the opportunity to make an offer before approaching others, including rights of first refusal (ROFR) or equivalent rights of priority. We explained that where such arrangements are not adequately disclosed, consumers may reasonably assume that the broker is free to select from a range of lenders.
- 5.26** We proposed that, while other incentive-based commercial arrangements between lenders and brokers may influence broker behaviour and engage regulatory disclosure requirements, they do not bind brokers' individual credit introduction decisions in the same way as contractual ties operating at the level of an individual agreement. On that basis, we consulted on treating only inadequately disclosed contractual tied arrangements as capable of giving rise to unfairness under the scheme, while inadequate disclosure of other commercial arrangements would be found not unfair under the scheme.
- 5.27** We asked:
- Question 16:** Do you agree with our proposed definition of a tied arrangement? If not, please explain why you do not agree and any other options we should consider
- 5.28** Stakeholders raised concerns about our overall proposed approach to tied arrangements in their responses.
- 5.29** PRs argued that our proposed approach limits the scheme's effectiveness and undermines consumer protection because the definition of tied arrangements is too narrow. They point to other commercial arrangements, such as volume bonuses and stocking facilities, leading to material conflicts of interest that could influence broker behaviour as strongly as formal contractual obligations. Some made the point that the scheme was rewarding 'opaque' incentive-structures above transparent contractual arrangements, risking further large-scale consumer harm.
- 5.30** They also made the point that the exclusion of incentive-based arrangements is inconsistent with our own disclosure rules and guidance which require adequate disclosure of financial arrangements that affect independence.
- 5.31** Firms argued strongly against the proposal that inadequately disclosed tied arrangements alone could lead to an unfair relationship. They also argued that *Johnson* was not authority for unfairness arising simply from failure to disclose the existence of a tied arrangement, but that there needs to be some form of misrepresentation.

- 5.32** Firms also heavily criticised the lack of empirical evidence to support the claimed negative effects of failure to disclose tied arrangements. They pointed to the benefits of tied arrangements, allowing firms to invest in dealers and provide competitive rates. A number of firms contested that the treatment of tied arrangements did not reflect the operational realities, that is, that multiple ROFRs were in place at the same time, contractual clauses were ignored by dealerships and not enforced by lenders.
- 5.33** Captive and white label firms and others argued that in a typical franchised dealer scenario, it is obvious to consumers that there is a tie between the captive/white label lender and the dealer because of the way cars and finance are branded and marketed.

Our response

We are not changing the definition of a tied arrangement we consulted on.

A tied arrangement alone should not lead to an unfair relationship

We explain in Chapter 2 that we do not agree that the *Johnson* case is authority for the proposition that only cases matching its facts are unfair. It is not clear why failure to adequately disclose a tied arrangement is only unfair if there is also failure to adequately disclose a high commission or a DCA but otherwise is not unfair. From the consumer's perspective, they were unaware of a material restriction in the service provided by the broker which affected their independence. If a tied arrangement is hidden from a consumer, they may reasonably presume the broker is free to select from a range of firms. Had they been aware of the tie, they could have chosen whether they wanted to use a dealer or broker who was able to review what the market or a panel of firms might offer. This is sufficient in our view to lead to unfairness of itself.

Lack of empirical evidence of loss

We have addressed this in Chapter 2. In brief, we conclude that empirical evidence of loss is not a necessary condition to conclude that unfairness from undisclosed ties could lead to loss. We have applied our judgement based on the Supreme Court's findings in *Johnson* and the consequences for the consumer of a hidden tie. Adequate disclosure could have meant that consumers were more likely to shop around, increasing competitive pressures and potentially leading to lower borrowing costs.

Misleading disclosure, not omission

We do not agree that a disclosure failure is only unfair if the customer has been actively misled that the broker is selecting from their panel of firms when in fact there was a tied arrangement. We also note that the Supreme Court said in paragraph 333 of its judgment that '...this omission of a key fact [the existence of a tie] was a suppression of the truth.'

It cannot be assumed that the customer would understand that the broker was only referring them to one lender, unless they were told that this was the case. The customer should have been provided with sufficient information to make sure they were aware that the broker was referring them to a particular lender.

However, we consider that an exception to this is where there was a visible association between the lender and dealer in a captive lender/ franchised dealer scenario. We discuss this further in our response to Question 41.

Treatment of tied arrangements does not reflect operational realities

We accept that if a tied arrangement didn't have any practical effect and a broker was habitually offering business to other lenders in a way that was inconsistent with the broker adhering to the tied arrangement, there is unlikely to be unfairness from not disclosing it.

We are making a significant change to the rebuttal framework in Chapter 10 to accommodate this possibility within the schemes and to give firms the opportunity to evidence that failure to disclose a tied arrangement was not unfair in circumstances where the tied arrangement had no impact on the broker's decision making. We will closely supervise firms' use of this rebuttal.

Definition is too narrow and should include other commercial arrangements

We address this issue in our response to Questions 17 and 18, below.

Incentive-based arrangements and other arrangements

5.34 We asked:

Question 17: Do you agree with our assessment that, because incentive-based arrangements are not binding on brokers' individual credit introduction decisions and operate at the level of brokers' wider commercial relationships, failure to adequately disclose an incentive-based agreement would not result in an unfair relationship? If not, please explain why you disagree

Question 18: Are there any other types of arrangement that you consider should be included in our proposed definition of a tied arrangement? If so, please explain why

- 5.35** Consumers, consumer organisations and PRs were broadly opposed to the proposal. They argued that the distinction between portfolio-level and individual agreement level incentives was arbitrary as both materially affected broker behaviour and harmed consumers. Some respondents argued for the scheme to incorporate case-by-case assessments of whether incentive structures influenced broker referrals to lenders, with independent oversight. One respondent argued they should be excepted from the scope of the scheme so that individual assessment can be made if a consumer complains. Other respondents outlined that where incentive arrangements existed, there should be a presumption that these caused harm with a burden placed on brokers to prove that they considered alternative lenders.
- 5.36** Lenders and brokers largely agreed with our assessment. Respondents argued that portfolio-level incentives do not have an influence on individual customer APRs. Some respondents considered there were inconsistencies between the draft rules and policy position and requested explicit confirmation that portfolio-level incentive-based arrangements were excepted from the definition of tied arrangement.
- 5.37** Consumers, consumer organisations and PRs highlighted many types of arrangement that they believed should be included in our definition of a tied arrangement including:
- minimum-volume arrangements.
 - short term cash flow arrangements.
 - upfront payment agreements.
 - volume-based bonuses.
 - stocking finance.
 - marketing development funds.
 - training subsidies.

Our response

We have decided to retain the proposal we consulted on. Only inadequate disclosure of tied arrangements will be unfair under the schemes. Inadequate disclosure of other commercial arrangements will not be unfair. We also consider that our definition of tied arrangement in the rules accurately reflects the policy position described in the CP and have not made any amendments.

To inform our view, we carried out the economic literature review, discussed in Chapter 2, and an analysis of other commercial arrangements in our agreement data. This tested if there was a relationship between APRs and agreements with an associated commercial arrangement. This analysis did not produce strong enough results that could inform our understanding of the relationship between these commercial arrangements and higher APRs.

We do not think it is feasible to resolve these data limitations through further data gathering in a timely way. It would require firms to undertake extensive, detailed manual investigation to identify the existence of different types of commercial arrangements in broker terms, causing further delay to implementing the scheme. Firms also find it hard to distinguish different commercial arrangements in historical agreements, and this inconsistent classification makes credible empirical tests difficult.

In light of the lack of judicial treatment of the fairness of failures to disclose other commercial arrangements, inconclusive literature review and empirical analysis, we are reliant on our regulatory judgement to reach a view.

Respondents have put forward reasonable arguments that other commercial arrangements could have been just as influential as a tied arrangement on dealer choices. However, we didn't receive any evidence to confirm that such arrangements did have this effect. One firm told us that the only circumstances where they sought to enforce a ROFR was where they also had a stocking facility with the dealer at a preferential rate and wanted to make sure they received a sufficient volume of business as a result. This suggests they weren't confident that the preferential rate on the stocking facility would have the equivalent effect to a tied arrangement.

We acknowledge that there may have been regulatory breaches if other commercial arrangements were not disclosed – dealers should have been clear about their independence and disclosed any financial arrangements that might impact on their impartiality. However, a regulatory breach is an important consideration, but not sufficient alone, for a finding of unfairness under section 140A CCA. In our judgement, there is a material difference between arrangements which may seek to influence broker preferences and tied arrangements, where the lender has actively ensured that the dealer is not permitted to consider any alternative firms in the first instance. For this reason, in our judgement, only the failure to disclose a tied arrangement passes the bar for unfairness.

Relevant arrangement exceptions

5.38 We have decided to introduce exceptions to the relevant arrangements, ie a DCA, high commission arrangement and/or tied arrangement. Where an exception applies to an arrangement, that arrangement will not be a relevant arrangement for the purposes of the schemes – and therefore the arrangement cannot give rise to an unfair relationship for the purposes of either scheme. In particular, an arrangement will not be treated as a relevant arrangement where:

- The commission associated with the agreement falls below the applicable de minimis commission threshold (for all relevant arrangements)

- The APR on the agreement was zero (for all relevant arrangements)
- A DCA was present but not acted upon by the broker (for DCAs only)
- The arrangement falls within the captive or white-label exception (for tied arrangements only).

5.39 In CP25/27, we proposed the 'not acted upon' DCA scenario as a rebuttal of the presumption of unfairness. Having considered feedback, we consider it more appropriate to incorporate this within the relevant arrangement exceptions framework, as it reflects circumstances in which the conflicted feature of the arrangement did not operate in practice and, therefore, is not capable of giving rise to unfairness. This approach achieves the same substantive outcome as the proposal consulted on, while providing a clearer and more administrable structure within the scheme.

5.40 Importantly, where more than 1 arrangement (ie a DCA, high commission or tied arrangement) is present in a scheme case, an exception would need to apply to each of those arrangements for there to be no relevant arrangements present in that case. For example, an agreement may still be unfair where the captive lender exception applies to a tied arrangement, but a DCA was also present and acted upon. This ensures that the scheme continues to capture cases where unfairness may arise while excepting cases where there were no arrangements capable of giving rise to unfairness.

De minimis commission threshold

5.41 We did not propose a de minimis commission threshold for the scheme in CP25/27 and we asked respondents whether they agreed with that approach. We explained that excepting cases solely because the cost of handling them might exceed the redress due would not remove firms' liability for failing to disclose relevant arrangements. Rather, these cases would fall outside the scheme and could still be referred to firms or the Financial Ombudsman as complaints.

5.42 We also proposed that where no commission was payable on an agreement, such agreements would not be scheme cases within the scope of the scheme. Our rationale was that the purpose of the scheme is to address clear unfair relationships arising from inadequate disclosure of commission arrangements.

5.43 We asked:

Question 4: Do you agree with our proposal not to include a de minimis threshold? If not, please explain why you do not agree and any other options we should consider

Question 12: Do you agree with our proposal that cases where no commission was payable should be excluded from the scheme? If not, please explain why you do not agree and any other options we should consider

Feedback

- 5.44** Respondents expressed a broad range of views on the question of whether a de minimis threshold should form part of the scheme. Views diverged significantly between stakeholders, with many highlighting issues of proportionality, operational feasibility and consumer fairness.
- 5.45** Consumers, consumer organisations and PRs strongly endorsed the FCA's proposal not to include a de minimis threshold. They argued that any threshold would be arbitrary and would risk excluding consumers who had experienced genuine—albeit small—financial loss. Several emphasised that even modest redress amounts can be meaningful for those facing financial hardship and that the scheme must ensure equitable treatment for all affected consumers.
- 5.46** Consumers and consumer organisations stressed that scheme eligibility should be determined solely by the gateway criteria, not by the quantum of redress. They argued that the administrative burden on firms should not compromise consumers' substantive rights, noting that costs are a matter for firms' internal processes and should not dictate the availability of redress.
- 5.47** They also supported streamlined processing for low value cases, provided that simplification benefits consumers and does not dilute the scheme's operative presumptions (including the presumption of loss). A consistent theme from these stakeholders was that proportionality should be achieved through process simplification, not through exceptions.
- 5.48** In contrast, a substantial proportion of lenders, brokers and trade bodies argued strongly in favour of a de minimis threshold, arguing that applying the full scheme requirements to very low value commission cases would result in disproportionate operational and financial consequences. Many firms emphasised that administering redress for cases involving trivial or nil consumer loss would require extensive manual processing, tracing, quality assurance and consumer correspondence, irrespective of the ultimate redress outcome.
- 5.49** Some respondents also argued that very low commission levels, and therefore low value redress outcomes, generally do not indicate substantive consumer detriment. Many provided data showing typical commission levels asserting that such levels could not realistically influence pricing or consumer decision making and that low commissions should not automatically give rise to an 'unfair relationship'.
- 5.50** Several firms set out specific examples demonstrating the extent of the resource implications associated without a de minimis threshold. They explained that, under their current assumptions, a fully manual process could require a substantial increase in staffing and significant additional mailing activity to meet the scheme requirements. They noted that these steps would need to be undertaken even where consumers would ultimately receive little or no redress.

- 5.51** Many emphasised that administrative costs could be disproportionate to the level of redress payable — for example, where redress amounts in the region of £50–£100 would still require firms to incur materially higher processing costs. Smaller firms, in particular, highlighted concerns about the cumulative financial and operational pressures this could create, including potential implications for prudential resilience and their ability to maintain focus on core regulatory obligations.
- 5.52** Respondents noted that requiring firms to remediate cases with minimal commission and minimal (or no) consequent consumer loss would undermine the principle of proportionality embedded in the FCA's broader regulatory framework, including the Consumer Duty.
- 5.53** A range of alternatives were proposed, intended to preserve consumer protections while mitigating disproportionate burden. Suggestions included:
- Introducing a de minimis redress threshold (with proposals ranging from £60–£400).
 - Excluding cases based on commission size (eg below £50–£100, or below a percentage of the total cost of credit).
 - Applying a 'net benefit' test, excluding cases where administrative costs would exceed redress.
 - Allowing rounding down of negligible redress amounts (eg treating redress <£25 as £0).
 - Excluding very short-term agreements, or cases with no evidence of detriment.
 - Streamlining the scheme's process for low value outcomes if a threshold were not adopted.

Cases where no commission was payable

- 5.54** There was broad support for our proposal that cases where no commission was payable should fall outside the subject matter of the scheme. However, some consumer representatives emphasised that this should apply only where firms can provide clear, contemporaneous evidence demonstrating that no commission was payable in respect of the agreement.

Our response

We have carefully considered all the feedback we received. In light of this, we have reconsidered the question of whether the schemes should include a de minimis commission threshold for cases where some commission was payable (as set out in Chapter 3, we have maintained our position in CP25/27 that cases where commission was not payable are not scheme cases).

We have decided to introduce a commission de minimis threshold of £120 for Scheme 1 cases and £150 for Scheme 2 cases. In our judgement, commission at these levels is not, in itself, capable of making the relationship unfair. Below a certain point, the commission was too small to plausibly affect the borrower's decision or broker behaviour even where disclosure was inadequate for the purposes of the schemes.

For scheme cases where at least some commission was payable, we therefore propose to introduce the commission de minimis threshold at the stage of determining whether a relevant arrangement exists. In simple terms, this means if the commission associated with the agreement is at or below the relevant de minimis threshold, the agreement will not be treated as involving a relevant arrangement and will not be capable of giving rise to unfairness for the purposes of the Schemes and will not result in any redress.

If at least one of a DCA, high commission or tied arrangement is present, and the commission exceeds the de minimis threshold, there will be a relevant arrangement.

This change reduced the number of agreements captured by the schemes by removing cases with low levels of commission that in our view are unlikely to give rise to unfairness. We have therefore updated the CBA to reflect this design change.

DCA agreements

We recognise that, in theory, certain DCA agreements could involve the broker exercising discretion but nevertheless result in a commission level that falls below the de minimis threshold. In such cases, our view is that, while discretion will have been exercised, the size of the commission remains so low that it could not have made a material difference to the consumer's decision to enter into the agreement. We consider that at these de minimis levels—whether arising under flat fee arrangements or from the operation of a DCA—commission is too small for its inadequate disclosure to create unfairness. We expect such cases to be limited.

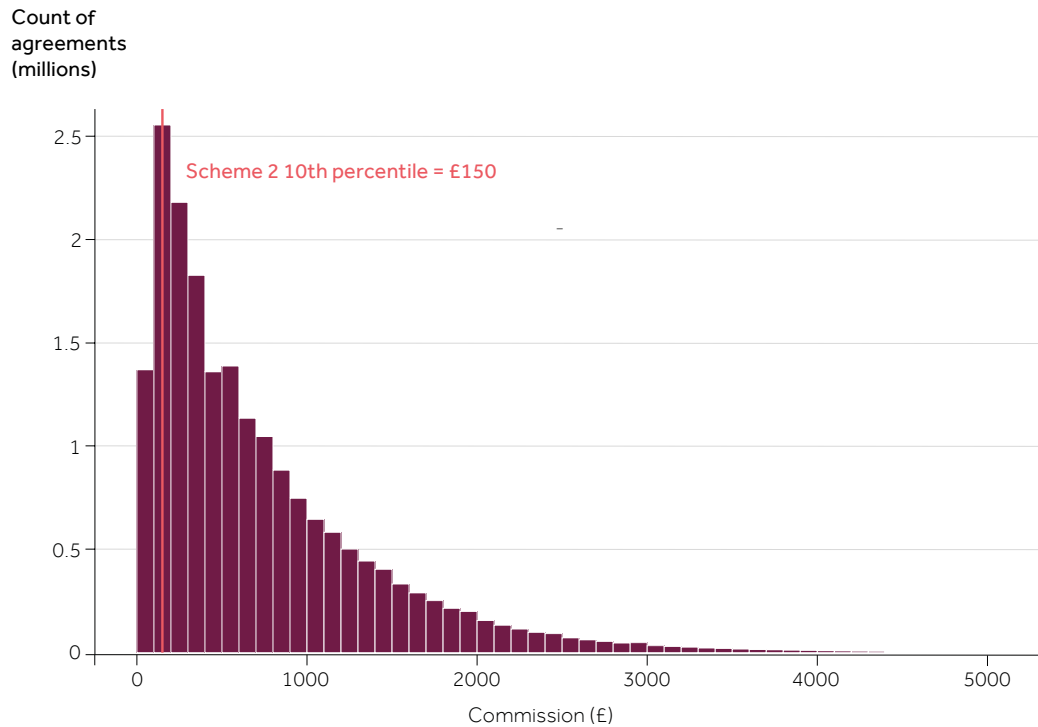
How we have set the de minimis threshold for Scheme 1 and Scheme 2

We have decided to have different de minimis thresholds for Schemes 1 and 2. As explained in Chapter 2, this is an operational design choice intended to provide clarity and simplicity and to avoid the unnecessary complexity that would arise from more granular or rolling thresholds across a 17-year period.

We have exercised our regulatory judgement in selecting £150 as a low amount of commission for Scheme 2. We have used the distribution of non-zero commissions (as zero commissions are outside the subject matter of the scheme) for the period covered by Scheme 2 to validate our view that this is a low amount of commission. A commission of £150 sits at the 10th percentile in this distribution, meaning that 90% of commissions in the period sit above it.

The chart below illustrates the distribution of non-zero commissions for Scheme 2 agreements.

Figure 6: Distribution of commission for 19.55m scheme 2 agreements



For scheme 2 agreements with commission > £0. Commissions over £5,000 excluded.

To determine the level for Scheme 1, we deflated the Scheme 2 £150 threshold into real terms values for the period covered by Scheme 1 using the Consumer Price Index (CPI) values for each scheme period. This results in a deflated Scheme 1 de minimis threshold of £121.

Under the distribution of non-zero commissions for the Scheme 1 period the 10th percentile would have been £72. We consider this too low for the purposes of the scheme because it would create too significant a distinction between the 2 schemes, risking unduly differential outcomes between them. This is why we have used an inflation-adjusted value instead.

As shown in the table below, we compared average price levels across the 2 scheme periods and applied the resulting adjustment to the Scheme 2 threshold which produces a Scheme 1 de minimis threshold of £121.

Table 4: CPI-adjusted commission value for Scheme 1 based on average CPI differences between Scheme 1 and Scheme 2 periods

Base year 2015 = 100

Target period CPI		Original period CPI	
Year	CPI	Year	CPI
2007	81.8	2014	100
2008	84.7	2015	100
2009	86.6	2016	100.7
2010	89.4	2017	103.4
2011	93.4	2018	105.9
2012	96.1	2019	107.8
2013	98.5	2020	108.7
Average: 90.1		2021	111.6
		2022	121.7
		2023	130.6
		2024	134
		Average: 111.3	
Deflation factor: 0.81			
Scheme 1 deflated value (applied to £150 for scheme 2): £121			

In light of this, we consider £120 to be a reasonable and proportionate de minimis threshold for Scheme 1. While different deflation methods produce slightly different numbers, the differences are small and do not justify introducing additional granularity or month by month calibration. The purpose of the de minimis threshold is to identify commission levels that could not plausibly have affected consumer behaviour. Introducing a more intricate inflation adjustment undermine the simplicity, cost effectiveness and certainty needed for a mass redress scheme, without much improvement to consumer protection.

Although the distinction between the 2 schemes is considerably reduced by our decision to use an inflationary adjustment approach instead of using the same broad percentile in Scheme 1 as in Scheme 2, there is nonetheless still some discontinuity at the boundary.

We considered two alternative approaches to remove this discontinuity. The first was to recalculate thresholds for each individual year in Scheme 1 – for example, incrementing the Scheme 1 threshold annually from 2007 onwards. We decided against this because it would have required the creation and application of multiple annual thresholds, adding complexity without delivering a materially better outcome for consumers.

Separately we considered whether to use a single threshold across both schemes. We also decided not to adopt this option, as it would have ignored changes in credit market conditions and price levels over time, and therefore would not have reflected the different periods covered by the 2 schemes.

Zero APRs

- 5.55** We consulted on a rebuttal of the presumption of loss or damage for high commission and tied arrangements where the lender could provide evidence the consumer would not have secured a lower APR from any other lender the broker had arrangements with at the time of the transaction. We respond to the feedback we received on this rebuttal in more detail in Chapter 10.
- 5.56** However, we received a number of questions from firms and trade bodies about the treatment of zero or very low APRs. We heard arguments that these may also demonstrate the consumer would not have lost out or obtained a meaningfully cheaper rate on a comparable transaction. This included circumstances where the firm is unable to produce evidence of what may have been available to the consumer from other firms on the broker's panel, or where the agreement had a DCA.
- 5.57** We are amending the rules so that scheme cases will not involve a relevant arrangement where agreements have a zero APR (ie no credit cost), regardless of whether they include DCAs, ties or high commissions. For the reasons below, as a matter of our regulatory judgement, we do not think such a credit relationship should be considered unfair for the purposes of the scheme.
- 5.58** We consider it is unlikely a court would find that a credit relationship was unfair, where a consumer took out a zero APR agreement, even where a commission arrangement or tie remained undisclosed. Such a consumer would not have been interested in shopping around to obtain a lower APR, so it is likely that there would have been no conceivable impact on their decision-making. We therefore consider it appropriate to amend our rules to reflect this.
- 5.59** We recognise that, when assessing whether a credit relationship is unfair under section 140A CCA, a court will consider all the circumstances of the case. *Clydesdale* makes clear that the fact a consumer received a competitive or favourable rate despite the inadequate disclosure of a relevant arrangement is not, by itself, sufficient to make a relationship fair. However, we recognise that, if the consumer received an objectively very low APR, a court may not consider there was any unfairness, or may not consider it necessary to use its powers to correct the unfairness. We are separately introducing a cap on redress that takes this into consideration. We explain this cap on redress further in Chapter 11.

Minimum DCA APR threshold

- 5.60** We also proposed that firms could rebut the presumption that inadequate disclosure of a DCA caused an unfair relationship in scheme cases where the firm could identify evidence – such as the relevant rates and terms document – that the broker selected the lowest interest rate at which they were not making discretionary commission under the DCA. We explained this was because the conflict of interest within the DCA would not have been acted upon.
- 5.61** We also sought views on whether respondents agreed this proposal most appropriately sat as a rebuttal of the presumption of unfairness.
- 5.62** We asked:

Question 48: Do you agree with our proposal that firms can rebut the presumption of an unfair relationship caused by inadequate disclosure where the broker selected a rate that earned them no discretionary commission? If you do not agree, please explain why and any other options we should consider

Question 52: Do you agree with our proposal that it is more appropriate to address the rebuttal for a DCA under the first key presumption of an unfair relationship caused by inadequate disclosure than the second key presumption of loss or damage? If not, please explain why you do not agree and any other options we should consider

Feedback

- 5.63** Responses to these questions were mixed, with consumers, consumer organisations and PRs expressing significantly different views from industry stakeholders.
- 5.64** Consumers, consumer organisations and PRs provided a wide range of perspectives:
- Some considered the proposed rebuttal logical and appropriately narrow, but many raised concerns about its reliance on firm-provided data that consumers cannot independently verify. These respondents argued this weakened the effectiveness of the safeguard.
 - Some contended that the rebuttal did not address broader conflicts of interest, emphasising that unfairness arose from undisclosed commission arrangements and the absence of informed consent, rather than solely from the exploitation of those conflicts.
 - Several raised scenarios where the rebuttal applied but where they thought unfairness could still arise. These included where the broker could exercise discretion without receiving any additional commission, and where brokers had the ability to apply negative commission values to reduce rates but this was not disclosed.
 - Others noted the rebuttal would not account for scenarios where firms select among different fixed commission agreements, suggesting this may still involve

discretion that the scheme should recognise even if the agreement entered into did not have a DCA.

- Some argued that any undisclosed commission arrangement should be treated as unfair, irrespective of the rate ultimately offered.

5.65 Firms and trade bodies generally agreed that cases falling within the rebuttal should not automatically give rise to an unfair relationship, but many considered the proposed rebuttal too restrictive. They argued that DCAs are not inherently unfair and that the rebuttal should also apply where low APRs or minimal commissions are involved. Some firms questioned whether the rationale was suitable across all DCA models, particularly decreasing or scaled structures, where brokers may receive no commission at certain rate selections, or in cases where the rate offered to the customer had been sourced by a primary broker seeking the best deal. Industry respondents also highlighted practical challenges associated with evidential requirements. They argued that requiring firms to evidence the lowest available rate using historical per-file rate sheets would create a significant burden, particularly as many firms no longer hold such records. Several firms noted that the proposed requirements would be difficult to operationalise in cases where brokers used multiple pricing schemes or where historical documentation was incomplete.

5.66 Across all stakeholder groups, respondents sought clarification on how the rebuttal would apply where other relevant arrangements coexisted with DCAs. Views were also divided on the rebuttal's placement within the presumption framework. Some supported retaining it under the presumption of unfairness, while others preferred placing it under the presumption of loss or damage, arguing this would better distinguish between process shortcomings and actual consumer harm. Several firms also suggested introducing an additional rebuttal of the presumption of loss or damage for certain DCA scenarios (eg where competitive finance had been provided despite disclosure failings).

Our response

We are maintaining a mechanism by which a firm can conclude there is no unfairness where they can demonstrate the interest rate that applied under the motor finance agreement was the lowest rate of interest in the range of interest rates that could have been selected by the credit broker under the DCA. We maintain the view that in these scenarios, the conflicted mechanism never operated and therefore would not have given rise to unfairness.

We have made a minor change to the drafting of the relevant rule to make it clearer this exception only applies in cases where the broker would not receive commission in respect of the motor finance agreement because of the exercise of their discretion (ie where the interest rate is at the bottom of the permitted range the lender will accept that takes the amount of discretionary commission to zero). As we set out in CP25/27, the conflict of interest within the DCA would not have been acted on in such circumstances. We also consider that where a primary broker introduced the customer to the lender but did not offer the lowest rate of interest available under the DCA, this still gives rise to unfairness.

We recognise, however, that there may be rare circumstances in which a broker pays the lender a net positive sum (after deducting any commission they would have earned), enabling the consumer to borrow at a lower rate than the lender was otherwise prepared to lend at by effectively paying the lender. As we set out in our response to Question 3, we consider that there would be no commission payable in such circumstances and the agreement would not be a scheme case.

Given whether an agreement was at the minimum rate available under the DCA is an objective test, rather than one that requires a subjective judgement, we consider it is better deployed as an exception to the definition of a relevant arrangement where there was a DCA, rather than as a rebuttal. This achieves the same policy aim as the proposals we consulted on but reduces the administrative burden on firms by enabling them to determine there is no unfairness where the proposed rebuttal would have applied at an earlier stage in the scheme.

We have also considered the feedback we received on the circumstances in which this exception (now an exception from the definition of a relevant arrangement rather than a rebuttal) should apply. We continue to believe our approach strikes an appropriate balance between being operationally feasible for firms and correctly capturing circumstances where unfairness would not arise.

We also recognise firms' other concerns in relation to missing information on the minimum APR under a DCA, and that there may be other circumstances where a DCA has been exercised but may not give rise to unfairness or loss. Changes we are making elsewhere in the schemes, such as a de minimis commission threshold (above) or a cap on redress that aims to recognise that consumers should reasonably be expected to have paid some minimal cost of credit (Chapter 11), defaulting to no redress for APRs below a specified threshold, aim to address some of these concerns.

Captive and white label arrangements

- 5.67** In CP25/27, we recognised that there may be limited circumstances in which the existence of a tied arrangement would have been apparent to the consumer from the wider context of the transaction, even in the absence of an explicit disclosure. We gave the example of a franchised dealer offering finance exclusively through a manufacturer-linked lender, where the connection between the dealer, the manufacturer and its finance arm is made clear through prominent branding, point-of-sale materials and customer documentation. We invited views on whether, and how, such circumstances should be reflected in the scheme rules when assessing adequate disclosure, noting the practical challenges of evidencing what a consumer could reasonably have been expected to understand from the overall presentation of the transaction.

5.68 We asked:

Question 41: Do you agree that there may be limited situations where it could be argued that the existence of a tied arrangement would have been obvious to the consumer from the circumstances of the transaction? If you agree, do you have any views on whether and how such situations should be reflected in the scheme rules when assessing adequate disclosure? If you do not agree, please explain why and any other options we should consider

- 5.69** Consumers, consumer organisations and PRs generally disagreed. Some argued that assuming consumers could infer a tied arrangement from branding, signage, or dealer context is unsafe, subjective, and legally flawed. Some referred to survey evidence which indicated that consumers had limited awareness of finance market mechanics, and that, even when cues were visible, they often did not understand implications for pricing or choice. There were also concerns that 'obviousness' introduced retrospective, subjective judgements and undermined legal certainty, and that only explicit disclosure — clear, prominent, contemporaneous — should count as adequate; assumptions or visual cues should not substitute for adequate disclosure. There was also concern that requiring consumers to demonstrate they did not understand the tie increases the burden on consumers and undermines the FCA's transparency and fairness principles.
- 5.70** Firms and trade bodies argued that dealer and finance branding and showroom materials mean that ties were clear throughout the customer journey and that consumers expected manufacturer-linked finance, especially for new vehicles. They noted our lack of empirical evidence on any loss from ties and argued that captive or white label lender tied arrangements were beneficial to the customer, as they enabled subsidised interest rates, deposit contributions or other discounts.
- 5.71** Firms raised concerns about the possibility of significant impact on investor confidence in the new car market, that this was understated in our market impact assessment published with the CP, and that the redress liabilities from tied arrangements for captives and white labels were significantly underestimated in the CP.

Our response

We are amending the scheme so that, where there is appropriate evidence, captive and white label tied arrangements with franchised dealers are excepted under the scheme from being relevant arrangements (and so not unfair under the scheme).

Manufacturer-linked lenders operate under trading names associated with the manufacturer's vehicles and are either:

- Captive: manufacturer-owned lenders or
- White label: a lender with an agreement with a manufacturer to provide finance for purchasing the manufacturer's vehicles

In response to feedback, we have carried out further investigation of this issue during the consultation process:

- We discussed with captive lenders the typical communication practices they have with their customers and assessed information they provided which showed how finance offers are presented alongside car sales in franchised dealerships. This is described in detail in Chapter 7 of the updated Diagnostic Report.
- We have carried out consumer research to gauge consumer awareness of the relationship between vehicle dealers and finance companies. In particular the extent to which those consumers using a captive lender were aware that there is a relationship between the dealer and the lender. This was a large-scale, quantitative online survey in December 2025 of motor finance users who have taken out motor finance from a dealership since 2007.

Presentation of information in franchised dealers

Five captive lenders provided details of the customer journey, including examples of the branding and marketing materials and customer-facing documents. The evidence we reviewed shows branding and product names in promotional and pre-contractual materials and in physical and online sales sites in franchised dealers was prominent and consistent. The captive and finance product and vehicle sale were presented by the franchised dealer as parts of an integrated package with branding and product names linking the manufacturer brand with the finance offer. Dealers were contractually obliged by the captive lender to do this. In our view this does create a clear association between the manufacturer, the finance company and the dealer, promoting, not obscuring the connections between them. We describe our evidence review in more detail in Chapter 7 of the updated Diagnostic Report.

Consumer survey

There were mixed results from the consumer survey. There was, however, a consistent difference in how consumers using captive lenders perceived connections between the lender and the dealer compared with those using 'other' lenders. Captive lender users:

- Were more likely to think the dealer was tied to one specific lender (43% vs 35% among consumers using other types of lender).
- Using franchised dealers were more likely to think the dealer could only offer finance from one lender (46% vs 30% among those using independent dealers).
- A big majority (68%) thought the finance company was part of the dealer's own business, compared with 25% of those using other lenders.
- Most (68%) agreed that they noticed a connection or link between the dealer and finance company, compared with just over a third (36%) of users of other types of lender.

There were some results which could weigh against the arguments that ties are obvious in a captive scenario, for example:

- Overall, 47% of captive lender users assumed that the dealer could offer finance from multiple companies, only slightly lower than the result for adults who used other types of lender (55%). When looking at just the captive lender users, however, there was a marked difference in responses depending on whether they used a franchised dealers (41%) or an independent dealer (70%).

The consumer survey is not definitive evidence that tied arrangements between captive lenders and franchised dealers would have been 'obvious' or not to consumers, but it is evidence of a difference between consumer experience between captive lenders and other lenders, particularly in franchised dealers.

Conclusions on captive lender tied arrangements

We have considered the survey evidence and the other evidence we have reviewed. Overall, we are persuaded that captive lender tied arrangements should be treated differently under the schemes than we had proposed in the CP, where there is evidence of prominent branding and trading name use.

To reach a view that the arrangement is not a relevant arrangement, it is not necessary to prove that consumers clearly understood that there was a tied arrangement in place. In our judgement, it is sufficient that information was available (which would include branding and trading names cues) that made it reasonably possible for a consumer to appreciate that there was a significant commercial relationship between the dealer and the firm and to ask questions if they chose. Not all consumers interpreted or recalled this information in the same way, but it was not being hidden from them.

We consider that the typical practice of prominent and consistent use of the same branding and trading names associated with the vehicle manufacturer where the consumer was purchasing a vehicle from a franchised dealers, meant that failure to disclose this particular kind of tied arrangement was not unfair under section 140 CCA.

Brokers should have disclosed the extent of their powers and whether they worked exclusively with one or more firms, or worked independently, under our CONC rules. This would put it beyond doubt. However, in the captive/franchised dealer situation described contextual information was available which meant it was possible for a consumer to recognise there was a significant commercial relationship between the dealer and captive.

We also consider that this would apply in the case of a white label lender and franchised dealer. One of the main objectives of a white label arrangement, as the name suggests, is to enable the manufacturer to align the motor finance product branding and trade name with the vehicle name and brand. Therefore, if the experience for a consumer using a white label firm in a franchised dealer is the same in terms of

prominence and association of branding and trading names, we consider that it is reasonable to treat tied arrangements of white label firms in the same way.

Amendments to the scheme – captive and white label exception

We are amending the rules so that captive and white label tied arrangements with franchised dealers are not relevant arrangements where the firm can evidence that a trading name or branding commonly associated with the brand of the motor vehicle was clearly and prominently presented in:

- a dedicated or clearly segregated area of the premises visited by the consumer;
- marketing materials or other communications relating to the motor finance agreement presented to the consumer prior to entering into the agreement; and
- the motor finance agreement.

We have considered whether this exception should automatically apply to tied arrangements between captive lenders or firms operating as white label lenders and franchised dealers. We don't think this is appropriate given the potential for diversity of business model arrangements and practices. Given the impact of the exception on a significant number of cases, it is reasonable to ask firms to confirm that the key relevant components were in place that mean these arrangements are considered not unfair (clear and prominent branding or trading names presented as set out above).

Firms will need to evidence that the motor finance agreement was entered into in the circumstances set out above, but we are not requiring that this is done on a case-by-case basis. Instead, they may rely on materials evidencing standard practice at the relevant time, such as the terms of white-label agreements, branding and marketing guidance, and dealer franchise or branding policies. Where gaps in the evidence exist for particular periods or dealer groups, firms may make reasonable assumptions based on typical practice in comparable dealers, consistent with the broader approach we consulted on for the use of secondary evidence. We have added some new examples of types of secondary evidence into guidance provisions in the final rules.

We invite firms to seek individual guidance where appropriate under SUP 9.2 on our view of whether their tied arrangements qualify for the captive/white label exception.

We are adding a new reporting requirement for firms who are using this exception, and we will apply a risk-based, data-led supervisory approach to firms who make use of the exception. Our initial focus will be on those firms who have tied arrangements with multi-franchise dealers. Where there are complex arrangements or we are not satisfied with a firm's assessment, we may make use of our supervisory toolkit, including skilled persons reviews or interventions to ensure compliance with the scheme.

Chapter 6

Role of consumers, professional representatives, brokers, and the Financial Ombudsman Service

- 6.1** This chapter sets out the respective roles of consumers, professional representatives (PRs), brokers and the Financial Ombudsman in the operation of the redress scheme.

Summary of policy decisions and how they support our scheme principles

- 6.2** Overall, we have maintained the approach to roles and responsibilities that we consulted on, while making targeted changes and clarifications to improve **fairness, simplicity, transparency** and **timeliness**.
- 6.3** Key decisions include:
- Clarifying the role of consumers in participating in the scheme, including how and when consumers engage, the information they receive, and the choices available to them. This supports **fairness**, by making sure consumers can participate without unnecessary procedural barriers.
 - Setting clear expectations for PRs to support the efficient operation of the scheme and to act in the best interests of consumers. This supports **fairness** and **transparency**, while helping to minimise delays, duplication and consumer confusion.
 - Confirming the role of brokers in supporting the scheme's delivery, including requirements to provide information to firms and to route scheme related cases appropriately. This supports **simplicity** and **timeliness**, recognising the role brokers play in enabling firms to assess cases consistently and without unnecessary delay.
 - Clarifying case routing and the firm-led nature of the scheme, including how cases about the subject matter of the scheme should be handled to make sure outcomes are determined under the scheme rules rather than through parallel processes. This supports consistency and **certainty**, by reducing the risk of divergent outcomes for consumers in similar circumstances.
 - Confirming the role of the Financial Ombudsman in the scheme, including how consumers can challenge scheme determinations and how the Financial Ombudsman should determine such complaints by reference to the scheme rules. This supports **fairness** and **transparency**, by providing independent oversight while preserving the scheme's role as the primary mechanism for delivering redress.

- Clarifying expectations around communications and cooperation between parties, including lenders, brokers and PRs. This supports **cost effectiveness** and operational efficiency, helping to make sure the scheme can be delivered at scale without unnecessary friction or delay.

Role of consumers and consumer vulnerability

6.4 Some consumers may be in vulnerable circumstances that make it harder for them to engage with the scheme. We proposed mitigations to reduce this risk.

6.5 In CP25/27 we said that firms should operate the scheme in a way that meets the needs of consumers with characteristics of vulnerability, in line with our guidance on vulnerability and the requirements of the Consumer Duty. We proposed requiring firms to consider any information they hold about a consumer's circumstances and potential vulnerabilities when assessing whether disclosure of relevant arrangements was adequate. Our proposed APR adjustment remedy, which applies a proportional reduction to the consumer's APR, avoided an unfair impact on higher APR consumers, who may be more vulnerable to harm. We also proposed allowing consumer representations on compensatory interest, which may be especially important for consumers in vulnerable circumstances, who may have experienced greater financial detriment from being deprived of funds.

6.6 We asked:

Question 22: Do you agree with our expectations of consumers, including how we have taken account of consumer vulnerabilities in our proposals? If not, please explain why you disagree and what else should we consider when setting our expectations of consumers

Feedback

6.7 Respondents broadly agreed with our intention to set clear expectations of consumers and to make sure the scheme is accessible to all, including those in vulnerable circumstances. However, many consumers and consumer organisations raised concerns that the proposed processes may not sufficiently account for the needs of vulnerable or digitally excluded consumers. They noted that rigid steps, limited communication routes and the formality of interactions could risk excluding those who need support most. They further highlighted that problems with record keeping by both firms and consumers could limit consumers' ability to participate effectively.

6.8 Many firms and consumers and consumer organisations emphasised the need for clearer FCA templates, more accessible communications, and flexibility around deadlines, warning that otherwise consumers may become confused or disengaged.

Our Response

In response to the feedback received on firms' communications with consumers under the scheme, we have introduced rules aligned with the Consumer Duty to ensure good consumer understanding and support (detailed in Chapter 9). As part of these changes, we are clarifying our expectation for firms to communicate with consumers in a way that meets their needs and ensure they do not face unreasonable barriers in accessing support. These protections are especially important for vulnerable consumers, such as digitally excluded consumers. In addition, targeted, clear requirements for the content of scheme communications and specific fraud mitigation measures also go towards addressing the risks highlighted in the feedback (covered further in Chapters 9).

We recognise that consumers' circumstances change over time and firms may not hold up-to-date information about vulnerability for consumers with historic agreements. We expect firms to have mechanisms in place to capture up-to-date information as part of the consumer journey, to make sure that they understand the needs of vulnerable consumers.

In accordance with our outcomes-based approach to supervision we will be assessing consumer journeys and understanding. Where we see poor outcomes, particularly for consumers with vulnerabilities or those that are digitally excluded, we will take targeted supervisory action.

Our final position in relation to the APR adjustment remedy and consumer representations on compensatory interest awards are covered further in Chapter 11.

Role of professional representatives

- 6.9** In CP25/27 we outlined how PRs – FCA-regulated CMCs and law firms regulated by the Solicitors Regulation Authority (SRA) – can play a role in ensuring the scheme operates efficiently. We set out that PRs must act in the best interests of their clients, comply with relevant regulatory requirements and avoid practices that could mislead or disadvantage consumers. We outlined that we expect to see PRs working constructively with firms operating the scheme.
- 6.10** We explained that consumers should carefully consider if they need to use a PR – given the scheme is designed to be easy to use and accessible – while recognising some consumers may wish to use a PR to act on their behalf.
- 6.11** We asked the following (feedback and our response on expectations of brokers is covered below):

Question 21: Do you agree with the proposed expectations of brokers and professional representatives? If not, what should we consider when setting our expectations

Feedback

- 6.12** There was general agreement from consumers, with it expected that PRs should act in their clients' best interests.
- 6.13** Firms raised concerns about the operational challenges of multiple PRs sending claims about the same motor finance agreement. These included uncertainty over which PR had authority to act and uncertainty over the correct party to whom redress payments should be sent, creating a risk of disputes where PRs allege the firm paying redress is liable to pay their fees (described as 'equitable lien' issues). There were also concerns that consumers may be charged excessive fees to terminate PR agreements.
- 6.14** Some firms asked for clearer joint FCA and SRA guidance and oversight to maintain standards including on misleading adverts, consumers signing up to PRs inadvertently, mass speculative submissions and the level of PR fees in general. Clarity was also sought on whether firms should communicate with and pay the consumer or the PR where one has been instructed.
- 6.15** Some PRs objected to our messaging that consumers don't need representation, stating that many consumers, including those in vulnerable circumstances, valued the support that PRs provide in progressing claims.
- 6.16** Insolvency bodies raised concerns that inefficiencies in how cases are handled when consumers have been subject to insolvency events can lead to PR fees that reduce returns to creditors. For example, a bankrupt consumer could sign up to a PR despite the trustee in bankruptcy normally holding the right to make the claim.

Our response

We recognise the role that PRs will play in the scheme, while noting our consultation did not propose additional rules for PRs as the scheme rules primarily apply to lenders and brokers. The conduct and cooperation of PRs is important for the efficient operation of the scheme. Having considered feedback, we restate our expectations of PRs and confirm the setting up of our joint regulatory taskforce below. We have also provided further information on using PRs on our car finance claims consumer [webpage](#).

Multiple representation and termination fees

In February 2026, the FCA and SRA issued a joint warning to PRs to make sure consumers don't have multiple PRs for the same claim and are not charged excessive termination fees. The warning set clear expectations, including that PRs should carry out robust checks to confirm a consumer has not already instructed another PR; for FCA-regulated PRs, termination fees must be reasonable and reflect work done, and for SRA-regulated PRs, they must be fair and proportionate. We explained that multiple agreements for the same claim generally indicated poor onboarding. In most cases the appropriate remedy is to return the client to the position they would have been in had proper checks been completed, which may mean terminating the contract without a fee.

Our joint message also contained information on how the FCA and SRA are working in partnership. The FCA has used its Consumer Rights Act 2015 powers to obtain and review contracts from a sample of SRA-regulated PRs, sharing concerns about some termination fees structures with the SRA to support its investigations. The SRA and FCA have been in contact with relevant firms.

We also wrote to firms setting out the potential actions they should take to address the issue of multiple representation. Where there are duplicate claims, the sole representative should be determined promptly through efficient and cost-effective cooperation between firms and PRs and communication with their customers.

Wider concerns relating to PRs

Our joint message explained the regulatory framework of the FCA and SRA that applies to PRs. FCA-regulated PRs must follow the Consumer Duty and our claims management rules. SRA-regulated PRs must act in line with the SRA's Standards and Regulations, including acting with integrity, in clients' best interests and not taking unfair advantage of clients. We set out that both regulators have fee cap rules to prevent excessive charging of fees when redress is received and that we expect PRs to treat clients fairly. It is the responsibility of PRs to ensure they comply with consumer protection law, including that consumer contracts comply with the fairness and transparency requirements of the Consumer Rights Act. We are jointly monitoring misconduct, including through engagement with the Claims Management Ombudsman and Legal Ombudsman.

The SRA has identified issues with how certain law firms are managing high-volume claims and has provided information and guidance on its consumer claims web page. As at 31 January 2026, the SRA had 89 open investigations relating to 71 law firms that manage high-volume consumer claims. The SRA has also closed 7 firms working in this area.

The FCA has identified issues with misleading advertising by CMCs and reiterated our expectations as part of the Dear CEO letter sent alongside CP25/27. Since January 2024 our actions have resulted in over 800 adverts being removed or amended and we've intervened in relation to high exit fees and poor onboarding practices with 7 CMCs. We have also opened enforcement investigations into CMCs, with 1 of these investigations, following concerns about advertising and sales tactics, made public having met our public interest test.

Joint regulatory taskforce

A taskforce has been formed to tackle poor handling of motor finance claims by some CMCs and law firms after the FCA, Solicitors Regulation Authority, Information Commissioner's Office and Advertising Standards Authority agreed to join up efforts. The regulators will step up efforts to share intelligence and continue to take coordinated and targeted action using the full extent of their powers to mitigate harm to consumers.

How firms communicate with PRs

Firms should continue to communicate with consumers or their PRs in the usual way, and in line with the joint statement outlined above regarding multiple PRs. This should include their usual checks on where any redress should be paid, for example via the PR (firms can check the Financial Services Register to see if a FCA-regulated CMC is allowed to handle client money) or directly to the consumer, and bearing in mind any contractual agreements in place between a consumer and their PR.

Consumer choice

In our communications, we inform consumers that they don't need to use a PR to use the scheme and can access it themselves for free. Accessing the Financial Ombudsman is also free for consumers. Our messaging is appropriate given the fees PRs may charge can significantly reduce the amount of redress received by consumers and that the scheme is designed to be easy to use. We expect firms to communicate with consumers in a way that meets their needs, including those of vulnerable consumers (communication requirements are set out in Chapter 9). We recognise that some consumers may still prefer to use a PR after being provided with adequate information to make an informed choice.

Consumers subject to insolvency events

We set out expectations for PRs in relation to consumer insolvency in Chapter 3.

Role of brokers and case routing

- 6.17** Where brokers are asked by lenders to provide documents or information to support the assessment of scheme cases, we proposed that they be required to comply with such requests within 1 month, either by providing the information requested or confirming they do not hold the information. If the broker fails to respond, we proposed that the lender must issue a follow-up letter, allowing an additional 14 days for a response.
- 6.18** We proposed that brokers will be required to forward complaints made to them, that fall within the subject matter of the scheme, to the relevant lender.
- 6.19** We asked:

Question 19: Do you agree with our proposal that complaints made to brokers that are about the subject matter of the scheme, should be sent to the lender to be dealt with under the scheme rules? If not, please explain why you do not agree and any other options we should consider

Feedback

- 6.20** There was broad support for these proposals. However, consumers and consumer organisations and PRs were concerned about the potential for delays and also commented on the lack of consequences if brokers do not comply with requests.
- 6.21** Some lenders argued that it placed disproportionate liability on them, despite brokers also being regulated firms. There were also arguments made by lenders for brokers to be required to contribute financially given their roles in disclosure.
- 6.22** Respondents agreed that there should be cooperation between lenders and brokers but there were widespread concerns about the 1 month we proposed brokers have to respond to requests.
- 6.23** Concerns from brokers focused on expected volumes, limited resources, the need to retrieve historic data and brokers having closed or merged.
- 6.24** Firms were concerned that the 1-month limit was unrealistic and that brokers' failure to comply with it has implications for lenders to meet the scheme deadlines. There were calls for there to be consequences for brokers of not complying with requests.

Our response

We are maintaining the position consulted on.

Our approach recognises that brokers played a key role in providing consumers with information during the purchase of the vehicle and credit and will play an important role in ensuring the successful delivery of the scheme where firms do not have all the necessary records.

We acknowledge the concerns expressed about the difficulties brokers might have in responding to requests within 1 month and the impact that a failure to comply could have on the timings for lenders and consumers. We are also mindful that changes we are introducing in Chapter 10 will likely impact brokers. This is because they give firms the opportunity to evidence that failure to disclose a tied arrangement was not unfair because the tied arrangement had no practical effect. Lenders will be dependent on brokers for gathering this evidence.

The newly introduced implementation period will give brokers further time to address operational readiness and allow them additional time to prepare for handling requests relating to agreements from pre-April 2014 given the separate implementation periods. We encourage brokers to use the implementation period to ensure they are able to deliver timely and accurate responses.

Brokers should also have started taking steps to support the swift conclusion of scheme cases as set out in our Dear CEO [letter](#) of 7 October 2025.

We have, therefore, decided to keep the requirement for brokers to respond to requests within 1 month.

Information on our strategy for supervising brokers is set out in Chapter 13.

We note comments from lenders that brokers should contribute financially given their roles in disclosure. Lenders may seek restitution from brokers in cases where they are responsible for non-disclosure. However, lenders and brokers should ensure that this does not delay redress being paid to consumers.

Any complaints made against brokers that are not about the subject matter of the scheme must be responded to by the broker in the usual way.

Role of the Financial Ombudsman Service

- 6.25** In response to our consultation, many firms said that it would be disproportionate for the Financial Ombudsman to charge a full case fee for scheme cases that are referred to it. Some felt that no fee should be charged or that the rights to refer a scheme case to the Financial Ombudsman should be removed.
- 6.26** In accordance with section 404B FSMA, consumers have the right to complain to the Financial Ombudsman about matters which fall within the subject matter of a consumer redress scheme or if they are not happy with a determination made by a firm under the scheme. The Financial Ombudsman will be required to determine any such complaint by reference to what, in the opinion of the Financial Ombudsman, the determination under the scheme should be or should have been.

Referrals to the Financial Ombudsman

- 6.27** The Financial Ombudsman has an important part to play in providing consumers with confidence and reassurance that they will receive the outcome required by the scheme, and in supporting and informing our related supervisory work.
- 6.28** We recognise, however, that if consumers or their representative routinely seek to refer cases to the Financial Ombudsman, other than in circumstances where the consumer has good reason to believe the firm has applied the scheme rules incorrectly (for example to simply ask the Financial Ombudsman to double check a redress determination), this could increase firms' administrative costs and risk operational challenges for the Financial Ombudsman.
- 6.29** The Financial Ombudsman's consumer-facing messaging and complaint referral processes will seek to support consumers to avoid making complaints prematurely or in circumstances where the Financial Ombudsman is satisfied that a firm is likely to have provided the consumer with the correct outcome required by the scheme.

- 6.30** Consumers seeking to refer cases to the Financial Ombudsman through its online complaint form, for example, will usually be required to upload a redress determination to avoid premature referrals. Where appropriate, the Financial Ombudsman will encourage consumers to first contact the firm before referring complaints. It will also look to make information available to consumers through its website and initial triage teams to help a consumer decide whether to refer a complaint where it has already been established that there is little or no prospect of success.
- 6.31** To support the Financial Ombudsman, we are also requiring firms to include standardised letter codes on all redress determinations so that any referrals made can be identified quickly and accurately.
- 6.32** The Financial Ombudsman continues to work with firms as it progresses its existing cases. Through this work, firms with existing complaints with the Financial Ombudsman can demonstrate the timeliness, accuracy and reliability of the information provided.

Case fees

- 6.33** The Financial Ombudsman has committed to include any recommendations for differentiated case fees in its 2027/28 Plan and Budget Consultation. As part of that work, the Financial Ombudsman will also consider whether and in what circumstances, it might be appropriate to charge differentiated case fees for scheme cases, where the quality of firm response is sufficient to reduce the effort required by the Financial Ombudsman to determine the complaint. The Financial Ombudsman is actively looking at bringing this in earlier than 2027/28 for scheme cases.
- 6.34** As a not-for-profit organisation, the Financial Ombudsman will need to consider and reflect on the final scheme rules, the likely case volumes and implications on its casework, budget and charging arrangements. Any rules which the Financial Ombudsman seeks to make in relation to the case fee will be subject to FCA approval. The FCA will provide support as the Financial Ombudsman works this through. Cooperation from firms will be paramount for the Financial Ombudsman to be in a position to charge a different fee.
- 6.35** Any changes to the current charging arrangements would likely apply no earlier than 1 October 2026 (subject to consultation and the scheme's implementation plan) and would need to reflect our Schedule 17 FSMA obligation to ensure the Financial Ombudsman as a not-for-profit organisation has sufficient income to cover its operating expenditure and that the costs associated with handling and responding to scheme complaints are appropriately met by the firms (and third-party representatives) operating in the motor finance commission sector.

Chapter 7

Implementing the scheme and inviting consumers to participate

- 7.1** This chapter covers how the scheme will be implemented in practice. It explains the steps firms must take to prepare for the scheme, the scheme process, and how consumers will be contacted and invited to participate.

Summary of policy decisions and how they support our scheme principles

- 7.2** Overall, we have refined the approach we consulted on to provide **simplicity** in scheme delivery and improve **timeliness**, **cost effectiveness** and clarity, while maintaining appropriate safeguards for consumers. The final approach is designed to enable firms to mobilise effectively, focus resources on cases where redress may be due, and make sure consumers receive clear communications and timely outcomes.
- 7.3** Key decisions include:
- Introducing different implementation periods for Scheme 1 and 2, reflecting the different challenges of mobilising to deal with older and more recent agreements. This supports **timeliness** and operational effectiveness, by giving firms sufficient time to prepare systems, processes and communications while enabling redress payments to begin as soon as firms are ready.
 - Clarifying how firms should act on scheme and non-scheme cases, including when assessments should be made and how outcomes should be communicated. This supports **certainty** and consistency, by making sure cases are assessed against a clear and common framework.
 - Simplifying requirements to contact consumers who are not due redress. This includes removing the requirement to proactively contact consumers who have not complained and whose agreements do not involve relevant arrangements. This supports **cost effectiveness** and proportionality, by reducing unnecessary communications and focusing scheme activity on cases where redress may be payable.
 - Confirming the approach of identifying relevant arrangements before inviting consumers to participate, including allowing firms to contact consumers when at least 1 relevant arrangement has been identified, rather than requiring all checks to be completed upfront. This supports **timeliness**, by avoiding unnecessary delay in inviting consumers to engage with the scheme.
 - Refining the approach to consumer participation, including replacing opt-out processes for consumers who have already complained with redress decisions, and retaining a firm-led opt-in model for consumers who have not complained but may be due redress. This supports **simplicity** and **fairness**, by reducing procedural steps while ensuring consumers remain in control of whether they participate.

- Clarifying how consumers who are not proactively contacted can still engage with the scheme, including the ability to complain to their firm within the scheme timelines. This supports accessibility and **fairness**, making sure consumers are not excluded due to firm error or assessment issues.

Implementing the scheme

7.4 We proposed that the scheme should start the day after we publish our PS, with no implementation period.

7.5 We asked:

Question 24: Do you agree that the scheme should start the day after the publication of our Policy Statement? If not, please explain why you disagree and what other options we should consider

Feedback

- 7.6** There were mixed views among consumers, consumer organisations and professional representatives (PRs). Consumers and consumer organisations were supportive of a short implementation period but noted that firms must be operationally ready to meet the obligations of the scheme. Some respondents recommended a short delay to make sure firms have time to interpret and implement the final rules appropriately. Some law firms recommended the FCA use the extended implementation period to assess firm readiness.
- 7.7** Most firms disagreed with the scheme commencing the day after the PS. This was largely due to there being a lack of certainty over the final rules and the challenges in implementing requirements with insufficient preparation time, particularly where these changed following CP25/27. Firms cited needing an extended implementation period for:
- technology builds, including to carry out large-scale data extraction and cleansing, particularly for historic agreements; build and upgrade calculators; and build and integrate customer portals into existing systems
 - further training
 - developing and testing relevant communications
- 7.8** Some firms also noted that an immediate implementation date could create operational pressures for credit reference agencies, if all firms are requesting information at once. There was also seen to be a risk that the limited time to interpret and implement the scheme could lead to poor consumer outcomes through incorrect liability decisions, miscalculated redress and confusing or inconsistent communications. Several respondents commented that interest due would mitigate any risk of financial harm arising from a longer implementation period.

- 7.9** Most firms recommended an implementation period of 3-6 months to give firms time to interpret and implement the final rules and to align with implementation periods for previous FCA schemes. Brokers suggested implementation periods ranging from 14 days to 3 months.

Our response

We recognise the strong and consistent view from firms that an implementation period is necessary to make sure they can deliver the scheme effectively and accurately at scale. We agree that commencing immediately without any implementation period would create a material risk of operational errors, inconsistent decision-making and confusing communications. This could undermine consumer outcomes and confidence in the scheme. Finally, we see clear value in consumer organisations and PRs having time to prepare to support consumers who may seek their advice in relation to the scheme. We signalled our intention to introduce an implementation period in our [communication](#) on 4 March 2026.

We have decided to introduce an implementation period for the scheme, but consider the length should be different for Scheme 1 and Scheme 2:

- Scheme 1 (agreements entered into between 6 April 2007 and 31 March 2014) will have an implementation period of 5 months.
- Scheme 2 (agreements entered into between 1 April 2014 and 1 November 2024) will have an implementation period of 3 months.

This approach reflects our regulatory judgement about the time firms reasonably need to mobilise to deliver the scheme effectively, taking account of differences in the operational steps required across cohorts of agreements. For older agreements, firms may need additional time to establish processes and delivery arrangements at scale, including where information must be drawn together from multiple sources, such as records held by brokers with whom the firm no longer has a commercial relationship. For more recent agreements, firms are generally able to build on existing systems, processes, and commercial relationships, enabling a shorter implementation period while still ensuring accurate and consistent delivery of the scheme.

Enabling firms to start early

Firms do not need to wait until the end of the relevant implementation period to begin processing cases under the scheme and may start earlier once they are operationally ready. However, firms must be ready to operate the scheme in full by the end of the relevant implementation period and cannot delay commencement beyond that point. All scheme deadlines run from the end of the relevant implementation period. As we set out in Chapter 13, within 15 working days of publishing this PS, firms must notify the FCA whether they intend to use the implementation period for Scheme 1 and/or Scheme 2 and provide the name and contact details of the Senior Manager responsible for scheme oversight.

We believe this approach strikes an appropriate balance between the need to deliver redress to consumers promptly and the need to ensure firms are adequately prepared to operate the scheme to the required standard. It is also consistent with implementation periods adopted for previous FCA redress schemes, and with the majority of feedback received, including from consumer stakeholders who recognised the importance of firms being operationally ready.

Supervisory work during the implementation period

We will actively engage with firms during the implementation period, including through early engagement on implementation and delivery plans, to ensure that firms progress at pace and that any emerging risks to scheme outcomes are identified and addressed promptly.

As set out in Chapter 13, firms will be required to submit a Scheme Implementation Plan 6 weeks after publication of the final rules, alongside their delivery forecast. This plan must set out each firm's proposed approach to key scheme steps, including how cases will be grouped and managed through cohort-based decision-making, how firms will identify relevant arrangements and apply limitation and rebuttals, how they will assure outcomes, and how they will structure controls to prevent errors and manage risks. We will use the implementation period to review these plans, assess firms' readiness, and prioritise supervisory engagement. This early visibility of firms' intended methodologies and decisioning cohorts will allow us to identify where further clarification, assurance or intervention may be required, and to target our supervisory resources to support timely and consistent delivery across the market.

Overview of scheme communication steps

The figures below provide an overview of the communication steps for consumers who do not make complaints (Figure 7) and consumers who have made complaints (Figure 8).

Figure 7: Scheme communication steps for consumers who do not make complaints

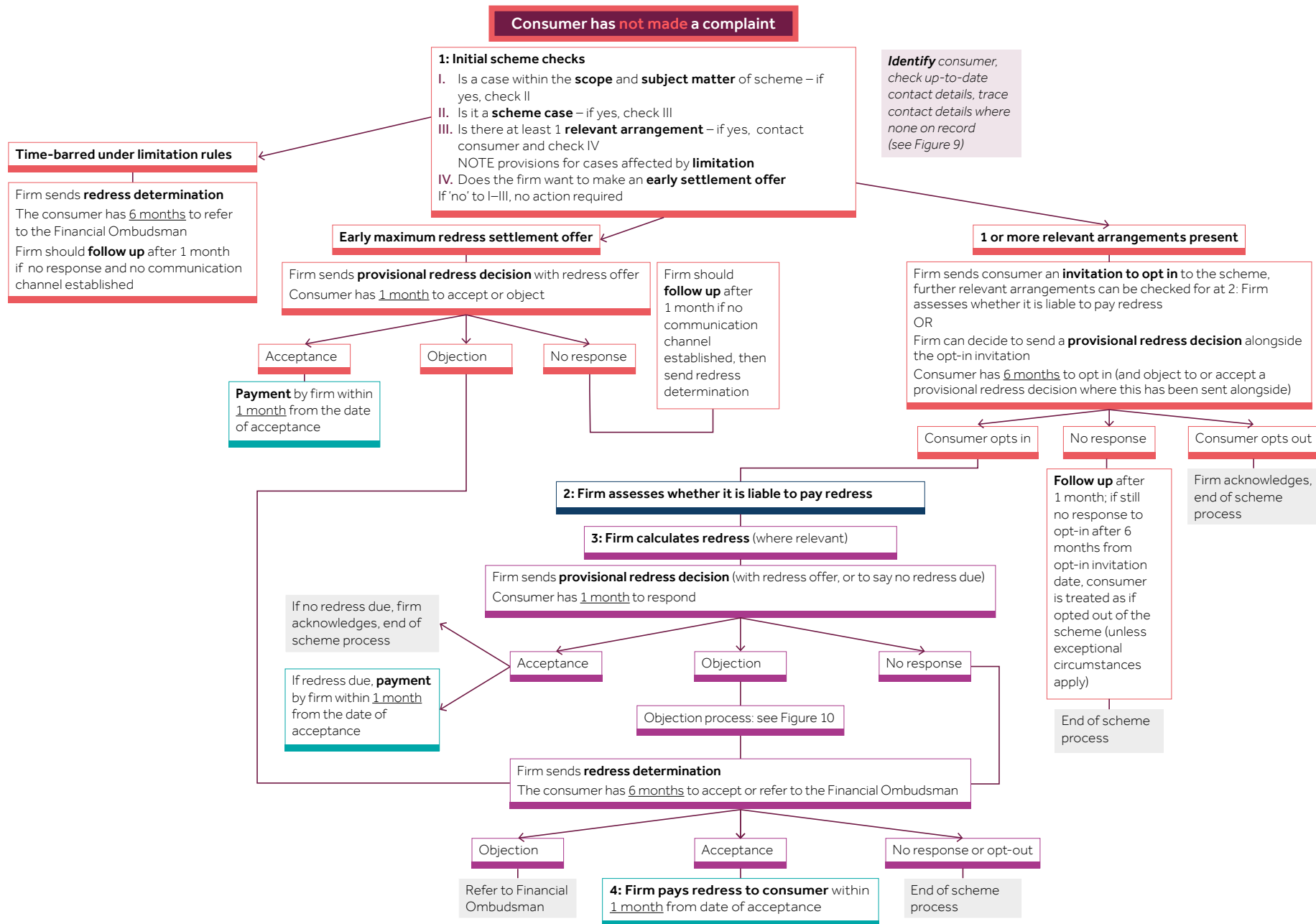
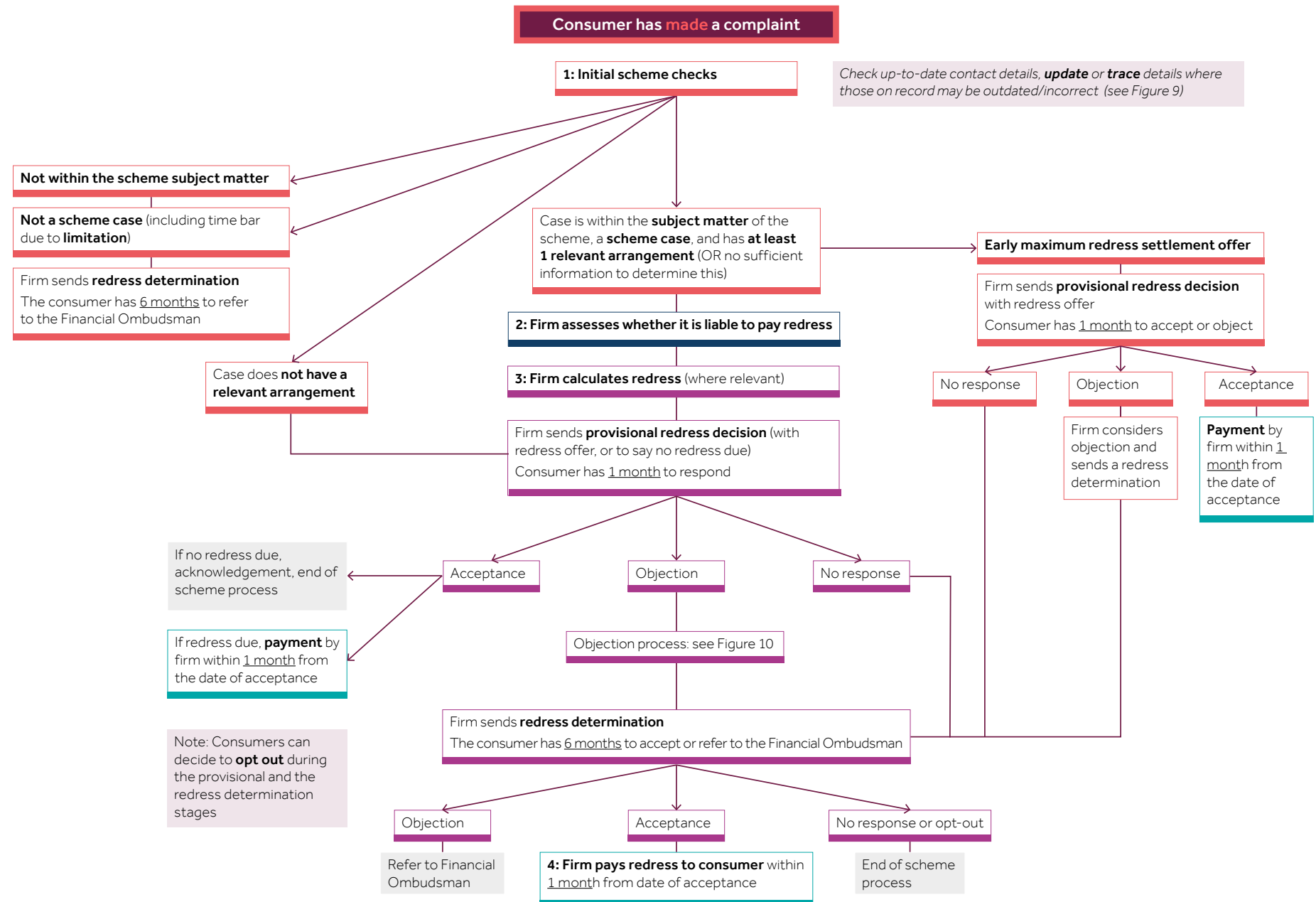


Figure 8: Scheme communication steps for consumers who have made complaints



Identifying scheme cases and relevant arrangements

- 7.10** In CP 25/27, we proposed that firms will need to identify whether each motor finance agreement is a scheme case or not. Where the firm finds that the agreement is not a scheme case, we proposed firms should provide these consumers (whether they have complained to their lender or not) with a provisional redress decision explaining why their case is not within the subject matter of the scheme and notifying them that they have 1 month to object to the firm's decision. We proposed that if the consumer does not object, the firm will send them a redress determination confirming the decision which the consumer can refer to the Financial Ombudsman if they disagree.
- 7.11** On relevant arrangements, we proposed that firms should contact consumers who have already complained and have a scheme case and consumers who have not complained, to invite them to participate in the scheme, if their agreement involved at least 1 of the 3 relevant arrangements – a DCA, high commission arrangement, or tied arrangement. We proposed that firms should invite consumers to participate in the scheme as soon as they have identified 1 relevant arrangement, even if they have not completed checks for each relevant arrangement. We said that firms would need to complete checks for all relevant arrangements once a case enters the liability assessment stage which is explained in Chapter 10.
- 7.12** We also proposed that for those cases where firms determine there is no relevant arrangement, they should inform those consumers who have not complained of this as well as informing those consumers who have already complained.
- 7.13** We asked:

Question 27: Do you agree with our proposal for lenders to check whether at least 1 relevant arrangement for an unfair relationship is present before contacting consumers? If not, please explain why you disagree and what other options we should consider

Feedback

- 7.14** On checking for 1 relevant arrangement before contacting consumers, all groups of respondents broadly agreed with this proposal. Consumers, consumer organisations and PRs felt strongly that firms should check not just 1, but all relevant arrangements prior to consumer contact as they felt incomplete information could lead to confusion and further disputes. This point was often made for consumers that have multiple agreements.
- 7.15** Many firms and trade bodies raised concerns that the scheme was overly complex and there were too many contact points with consumers. They felt that contacting consumers who had not complained and were not due redress was unnecessary for consumers, and costly and operationally burdensome for firms. This was raised as a particular administrative and cost issue for some firms that stated they had very few or no agreements with relevant arrangements, so were likely to have low redress liabilities.

These firms would have to send out letters to many consumers when only a small proportion or none of the consumers would be owed any redress.

Our response

We are changing our position on identifying and communicating with consumers, in particular for consumers who have not complained. We have considered the feedback and agree with the need to reduce the consumer touchpoints, particularly for those cases where no redress is due to the consumer.

We have decided to have a different approach for consumers who have complained and those who have not.

For consumers that **have not complained**, firms do not need to proactively contact them where the case is:

- not a scheme case
- a scheme case but has no relevant arrangements
- outside the scope of the scheme

On the other hand, for all those consumers that **have complained**, we think it is appropriate to receive a redress decision or determination as complaint response, regardless of the outcome.

Our public-facing campaign will be clear that firms will be contacting consumers that may be due redress. But if a consumer is unsure, there are ways they can identify and contact their firm to find out more about their status in the scheme. Therefore, consumers who are not contacted by their firm can complain directly to their firm to find out if their agreement is a scheme case or not.

Time barred cases

The one exception to the above decision on when firms are required to contact consumers without complaints, is that we will still require firms to contact those who have not complained where their case has been **assessed as out of time for the scheme** under limitation rules (see Chapter 4) and is therefore not a scheme case. In such cases, firms will be required to send redress determinations.

Unlike factual assessments, such as whether there is a relevant arrangement or whether a case is caught by exclusions already being subject to a court order, the limitation assessment involves the lender's judgement (eg whether there was clear and prominent disclosure) and interpretation of the law on limitation. Therefore, it is important that consumers in these cases are informed via a redress determination that their agreement has a relevant arrangement but because the case is outside the legal time period for making a claim, is not a scheme case and they are not due any redress. This allows consumers to challenge this determination with the firm and, ultimately, with the Financial Ombudsman, if they wish.

Firms will have 6 months from the end of the relevant implementation period to send a redress determination for time barred cases where the consumer has not complained.

Identifying relevant arrangements before consumer contact

On the proposal to identify at least 1 relevant arrangement before contacting consumers, we are implementing the rules as proposed in CP 25/27. We acknowledge the views of some stakeholders that firms should identify all relevant arrangements rather than at least 1, where it could be helpful in providing clarity for those consumers with multiple relevant arrangements. However, we consider that this would slow down this stage of the scheme and would not support one of the scheme key principles of timeliness. Details of the timelines for contacting consumers are set out in Table 5.

How consumers will participate in the Scheme

- 7.16** Consumers who have an agreement which is considered to be a scheme case will participate in the scheme in different ways, depending on whether or not they have complained, and whether they have done so before or after the end of the relevant implementation period.

Consumers who have complained

- 7.17** In CP 25/27, for consumers who complained by the scheme start date, we proposed that:
- Firms send consumers who have an agreement with at least 1 relevant arrangement, within 3 months of the start of the scheme, a letter letting them know their complaint will be considered under the scheme
 - These consumers are included in the scheme unless they opt out within 1 month from the date of the letter.
 - Firms send consumers who have an agreement with no relevant arrangements, within 3 months of the start of the scheme, a provisional redress decision, informing them that they are not entitled to redress under the scheme, explaining why, and that they can object to the decision. If the consumer does not object within 1 month, firms send a redress determination confirming the decision and informing the consumers that they have the right to complain to the Financial Ombudsman.
 - Consumers who have complained about the subject matter of the scheme and had their complaint rejected would be able to have their case considered under the scheme, unless such cases have already been to court and received an outcome.

7.18 We asked:

Question 28: Do you agree with our proposed opt-out consent mechanism for consumers who have already complained? If not, please explain what other options we should consider

Question 29: Do you agree with our proposed 1-month deadline for consumers to opt out? If not, how long should we allow for consumers to opt out?

Feedback

7.19 Stakeholders had mixed views on our opt-out proposals. Most consumers and consumer organisations were supportive of the opt-out approach. Industry stakeholders generally wanted a simplified process with fewer communication steps.

7.20 Trade bodies, credit brokers, and many firms did not agree with the proposal. They stated that these consumers had already indicated their intention to participate by complaining. Therefore, asking these consumers to opt out creates operational burden for firms, multiple contact stages and delays redress for consumers. Some proposed an alternative simplified approach where these consumers are sent one communication setting out the redress owed and offering an opportunity to opt out.

7.21 Some firms and PRs were concerned that opt-out letters could be confusing for consumers. A small number of law firms were concerned that firms would assume consent where consumers fail to opt out, or that firms could interpret unclear responses as consumers opting out. Some firms were concerned that consumers could be persuaded by PRs to opt out and take a claim to court instead.

7.22 Consumer organisations stated that clear and simple communication including clear explanations of the consequences of opting out was important to support consumers' understanding. Consumers and consumer organisations also asked for further clarity on whether rejected complaints would be included as opt-out cases.

7.23 Most firms and brokers broadly agreed with the 1-month deadline for consumers to confirm whether they are opting out of the scheme, if the scheme design remains as proposed. They considered the 1-month deadline to be practical, clear and that it ensured finality.

7.24 Some consumers and consumer organisations, and some law firms disagreed with the 1-month deadline and considered this should be extended, or exceptions should be made for those in vulnerable circumstances. As they considered 1 month to be unrealistic for some consumers eg older people, those with health issues, and those facing life challenges. Respondents suggested extended timeframes to opt out from 2 months to 12 months, with 3 months being the most common recommendation.

Our response

We recognise the general feedback that the scheme communication steps should be simplified. We also recognise the more specific feedback that asking those who have already complained whether they want to opt out of the scheme adds an additional hurdle, is potentially operationally burdensome, and may be confusing for consumers.

Therefore, we have decided to not require firms to send an opt-out communication to consumers who have complained to their firm before the end of the relevant implementation period. We now require firms to send a provisional redress decision or a redress determination to all consumers who have already complained as a complaint response, instead of an opt-out letter. So instead of waiting for consumers to confirm that they do not want to opt-out, firms will process such complaints through the initial scheme checks and scheme steps to determine whether or not the case falls into the scope, has a relevant arrangement, and whether redress is due. Whether a provisional redress decision or a redress determination is sent depends on the factors set out in Chapter 8, the approach is also set out in Figure 8, above. Firms will also need to send a provisional redress decision where there is missing information or inconclusive evidence that prevents a firm from reaching a final outcome (see further details in Chapter 8).

Sending a provisional redress decision or a redress determination rather than an opt-out letter means consumers get complaint outcomes quicker, firms can proceed with redress payments quicker, and reduce the number of communications, simplifying the process for firms and consumers.

This also reduces the risk of consumers being potentially confused by firm opt-out communications, being influenced, or choosing to opt out mistakenly. Requiring firms to send all consumers who have already complained a provisional redress decision or a redress determination means that these consumers will be able to clearly see how much redress they are owed (if any) before they choose to accept, object or opt out of the scheme.

Removing the opt-out letter also means we are removing the 1-month deadline for consumers to confirm if they want to opt out. Once the consumer receives the provisional redress decision or redress determination, they can still opt out at this stage (or at any stage in the scheme) if they no longer wish to proceed with the scheme or wish to make a claim in court instead.

The provisional redress decisions (or redress determinations) sent to all consumers who have complained to their lender before the scheme start date, will have to be sent within 3 months of the end of the relevant implementation period, depending on the date of the agreement. Due to the implementation periods, firms will have more time to get ready for the scheme processes and will have a minimum of 3 months to consider and determine redress (if due) for complaints made.

Complaints received during the respective implementation periods will be treated the same as complaints received before the implementation periods, as firms will also be required to respond to these complaints with a provisional redress decision or a redress determination within 3 months of the end of the relevant implementation periods.

Complaints received after the implementation period should receive a provisional redress decision or a redress determination within 3 months of the complaint being received.

Consumers who have had a complaint about the subject matter of the scheme previously rejected by their lender, but not taken it to the Financial Ombudsman, will not be sent a provisional redress decision within 3 months of the end of the relevant implementation period. Instead, they will be treated as if they are consumers who had not complained and firms will be required to ask them to opt in to the scheme, if their agreement meets the criteria outlined below (see our response to question 30).

Consumers who have not complained

7.25 For consumers who have motor finance agreements which are scheme cases and have not complained by the scheme start date, we proposed in CP 25/27 that:

- Firms would be required to invite these consumers to opt in to the scheme within 6 months of it starting.
- Consumers invited to opt in would need to do so within 6 months of the date of the opt-in letter. Firms should make it as easy as possible for consumers to opt in to the scheme.
- If a consumer did not receive an invitation to opt in, they would need to contact their lender within 1 year of the day we publish our PS as we did not propose an implementation period.

7.26 We asked:

Question 30: Do you agree with our proposed opt-in consent mechanism for consumers who have not already complained? If not, please explain why you do not agree and what other options we should consider to gain the consent of the consumer

Feedback

7.27 Consumers and consumer organisations strongly disagreed with the proposed opt-in model as they considered this could disproportionately harm consumers who are less engaged. Many consumers and consumer organisations thought that an opt-in approach would make it hard for consumers to join the scheme and so lead to the significant underpayment of redress. They stated that consumers having to opt in introduced an unnecessary friction and consumers, particularly those with vulnerable

characteristics, may struggle to interpret firm letters and have low trust in firms so may not opt in. One consumer organisation suggested our estimate that around 85% of eligible consumers would take part in the scheme was unlikely. Consumer organisations were instead supportive of a firm-led opt-out model for non-complainants to maximise take up and the number of consumers getting redress.

- 7.28** Many firms, trade bodies and brokers did not agree that firms should be required to invite all consumers with scheme cases who had not already complained to opt in to the scheme. They did not support requiring firms to ask consumers who would not be due any redress to opt in. They stated this unnecessary contact could cause consumer confusion and raise false expectations that consumers were going to receive some redress when they were not. Contacting those not due redress was also considered administratively burdensome and disproportionately costly for firms.
- 7.29** Many firms and trade bodies suggested that only those consumers likely due redress should be asked to opt in to the scheme to simplify operations for firms and minimise consumer confusion. For some firms this meant only asking those with agreements with relevant arrangements to opt in, but others thought it could also include undertaking initial investigations into the potential redress amount due.
- 7.30** A smaller number of firms and a trade body were in favour of a change to a consumer-led opt-in, where firms would not be required to proactively contact any consumers who had not already made a complaint. They considered any firm-led opt-in to be unnecessary and disproportionate given the planned FCA public campaign and wider publicity, meaning there was likely to be high consumer awareness of the scheme. They also stated that consumers would be able to complain to their firm if they wanted to join the scheme and if they needed to know their firm's identity to complain, it would also be easy to get this as they could ask their dealer.
- 7.31** The administrative and cost burdens of asking all those consumers who are scheme cases who have not already complained was a particular issue for firms that had limited redress liabilities. One trade body and some firms suggested that we publish a list of firms that have low redress liabilities on our website to discourage consumers from complaining to these firms as they are unlikely to be due any redress.
- 7.32** Law firms were broadly supportive of an opt-in mechanism. They considered timing and language of communications would be important in ensuring sufficient uptake, including in opt-in invitations and follow ups.

Our response

We recognise the feedback expressing concerns about the costs and operational burden and agree that contacting these consumers may not result in good outcomes. It could lead to confusion and raise expectations where consumers ultimately are told they are not due any redress.

As set out above, we no longer require firms to contact all consumers with scheme cases who have not previously complained. In line with this, we have decided that firms will no longer have to send an opt-in

communication to consumers who **have not complained** and their agreement has **no relevant arrangement(s)**.

The definition of relevant arrangement including exceptions from this is set out in Table 1 and we detail how firms identify relevant arrangements in Chapter 10.

We are maintaining the requirement for firms to invite consumers (who have not complained) to opt in to the scheme if they have an agreement that **is a scheme case** and **has 1 or more relevant arrangements**. We consider that, where these consumers have an agreement with a relevant arrangement, they may be due redress and therefore it is proportionate and fair for firms to proactively inform them of this and ask them if they want to opt in.

The exception to this approach is with cases with a relevant arrangement which are not deemed a scheme case solely because they are assessed as **out of time for the scheme on limitation** rules. In this scenario, firms need to send a redress determination to consumers who have not complained, instead of an opt-in communication, as set out in 'Time barred cases' above.

This approach will make firms' assessments of whether consumers who have not complained and have at least 1 relevant arrangement present in their case particularly important. That's because those whose cases do not meet the definition of a scheme case or do not have a relevant arrangement will not be proactively contacted by firms about the scheme (except in limited circumstances of a limitation defence). Our supervisory approach as set out in Chapter 13 will include a focus on this.

Our rules on exceptional circumstances also include a safeguard that a firm must consider the complaint if the consumer complains after the deadline to participate in the scheme due to their agreement being wrongly assessed by their firm as not having a relevant arrangement. This is because a firm not taking all required scheme steps – such as contacting a consumer with a relevant arrangement – is seen as exceptional circumstances that extend the deadline to complain under the Scheme.

We are not making the more significant shift towards a fully consumer-led opt-in process, which would mean not requiring firms to send opt-in letters to any consumers who have not complained. Not contacting those consumers who have relevant arrangements and may be due redress would place the burden solely on these consumers to know about and understand the scheme, and find and complain to their firm to get any redress due. Firms are best placed to lead contact as they are likely to have better records than consumers and are better resourced to trace and contact consumers. So – given the widespread failure to adequately disclose motor finance commission arrangements – it is fair and proportionate to expect firms to invite those who may be due redress to join the scheme. This aligns with our approach in other areas where we have expected firms to proactively contact consumers if they

are owed redress, eg in the motor insurance sector and for borrowers in financial difficulty.

We also do not propose to publish a list of names of firms that have low redress liabilities. Establishing how to define the cut off point for low redress liabilities and to identify firms that fall into this category would be time and resource intensive. The rule change we have made, means these firms will only need to send opt-in invitations to a limited number of consumers, namely those that have not already complained that have relevant arrangements. This should reduce the operational costs of the scheme for these firms therefore reducing the need to introduce specific rule changes for this group of firms. However, where firms hold the appropriate evidence, firms are free to publish notices on their websites or through other channels to say they have no or very low redress liabilities. But where such statements are not supported by evidence or could discourage consumers with valid claims from coming forward, the FCA will intervene using its usual supervisory or enforcement powers.

We also do not propose to go further and shift to an opt-out approach for all consumers who have not complained before the scheme's start date. It is important that consumers that have not complained (and have relevant arrangements) are given the option of whether to be part of the scheme, as some may not want to be. An opt-out approach could also cause operational difficulties for firms as they would need to calculate and pay redress to consumers who are not responding to communications and this could exacerbate fraud risks. We expect firms to make it easy for consumers to opt in to the scheme so that the opt-in process should not add unnecessary friction for consumers who have at least 1 relevant arrangement and wish to join the scheme.

We estimated in CP 25/27 that around 85% of eligible consumers would take part in the scheme. We have since revised that estimate and now estimate 72% of eligible consumers will take part in Scheme 1 and 76% will take part in Scheme 2. Across the two schemes, we estimate an overall uptake rate of 75%. Differences between Scheme 1 and 2 are informed by consumer research undertaken for the consultation. This suggested that consumers with older agreements would be less likely to join a future potential compensation scheme. For further detail on the calculations, see the updated CBA in Annex 1.

Scheme contact deadlines

Deadlines for contacting consumers

7.33 We proposed in CP25/27 that following the publication of the scheme rules firms would need to contact:

- consumers who have already complained within 3 months of the scheme starting
- consumers who have not already complained within 6 months of the scheme starting

7.34 We asked:

Question 25: Do you agree that consumers who have already complained should be contacted within 3 months of the scheme starting and all other consumers should be contacted within 6 months? If not, please explain why you disagree and what other options we should consider

Feedback

7.35 Consumers and consumer organisations called for shorter timelines, particularly for those who had already complained. Some suggested an additional requirement that firms contact consumers as soon as reasonably practicable particularly where firms already have the information they need to assess the case.

7.36 Many firms however raised concerns with the 3-month and 6-month timelines for initial consumer contact, largely due to operational challenges. They questioned whether the timelines were operationally achievable given the high volume of complaints for some firms, the gaps in historical data, and the reliance on third parties for delivery. Firms noted the risk of capacity constraints for postal services, credit reference agencies, insolvency practitioners, print vendors and tracing which would be exacerbated by short timelines.

7.37 Many firms said the proposed timelines could lead to errors in letters, including inconsistent or incorrect redress outcomes and lead to higher Financial Ombudsman referrals.

7.38 Firms felt that they may not have sufficient time to provide appropriate support to customers in vulnerable circumstances which could lead to customer confusion and detriment. They also highlighted the challenges of communicating with representatives and the time needed to verify representatives.

7.39 Most respondents proposed longer timelines with the most common recommendation being 6 months for existing complainants and 9 – 12 months for other consumers. Some firms called for staged or risk-based sequencing, such as prioritising higher risk cohorts and customers in vulnerable circumstances.

- 7.40** Some consumers and consumer organisations proposed that the FCA should publish monthly data on when letters have been sent, and act where they see evidence of firms delaying communications until just before the deadlines.

Our response

We recognise the concerns raised by respondents about the operational challenges associated with the proposed timelines. As we have explained above, we plan to introduce an implementation period of 5 months for Scheme 1 and 3 months for Scheme 2.

We therefore propose to keep the contact timelines the same as outlined in CP25/27 following the 2 implementation periods for the 2 schemes. The table below illustrates these deadlines. We will ensure there is transparency for consumers with clear guidance about when they can expect to hear from their firm. We will monitor firm performance through outcome-based supervision.

Table 5: Timelines for firms contacting consumers

Consumer	Scheme case	First contact from firm after scheme starts (after end of relevant implementation period)
Who complains either before the Scheme effective date or during the relevant implementation period	No scheme case	Firm must send a redress determination within 3 months of the end of the relevant implementation period (8 months from scheme effective date for Scheme 1 and 6 months from scheme effective date for Scheme 2).
	Scheme case	Within 3 months of the end of the relevant implementation period. (8 months from scheme effective date for Scheme 1 and 6 months from scheme effective date for Scheme 2) the firm must send a provisional redress decision .
Who complains after the end of the relevant implementation period but before the deadline to participate in the scheme	No scheme case	Firm must send a redress determination within 3 months of when the complaint was received.
	Scheme case	Within 3 months of when the complaint was received, the firm must send a provisional redress decision .

Consumer	Scheme case	First contact from firm after scheme starts (after end of relevant implementation period)
Who never complains to firm	No scheme case	No proactive firm contact <i>Except:</i> firm must send a redress determination within 6 months of the end of the relevant implementation period (11 months from scheme effective date for Scheme 1 and 9 months from scheme effective date for Scheme 2), for cases which are not scheme cases because the limitation period for bringing a legal case ended before the scheme rules were made, but where the agreement has at least 1 relevant arrangement.
	Scheme case	If at least one relevant arrangement : firm must send opt-in invitation within 6 months of the end of the relevant implementation period (11 months from scheme effective date for Scheme 1 and 9 months from scheme effective date for Scheme 2). If no relevant arrangements : No proactive firm contact

Introducing the implementation periods but maintaining these initial contact timelines should reduce the risk of firm error and fraud resulting in poor outcomes for consumers. It also allows firms time to build systems around the final rules we publish – which is particularly important for consumer communications.

We think this strikes the right balance between making sure firms are operationally ready to manage cases and fully test systems to minimise errors and fraud, and ensuring consumers get the right outcome in a timely manner. This will help to make sure that millions of consumers receive a payout this year and supports the timely resolution of claims. We expect the vast majority of claims where the consumers have complained to firms before the end of the relevant implementation period, to be resolved by the start of 2027. For cases where consumers do not complain but who opt in to the scheme after being contacted by the firm, we expect these to be largely resolved by the start of 2028.

If firms wish to address claims more quickly, they can choose to send the opt-in invitation alongside a provisional redress decision at the same time (see Chapter 8). Therefore, informing the consumer of the amount of redress due (or not) at the same time as asking them to opt in. If they choose to do this, firms must send this combined communication within 6 months of the end of the relevant implementation period and give consumers 6 months to respond.

Deadlines for joining the scheme

7.41 We proposed in CP25/27 that:

- Consumers who are sent the opt-in letter by their firm would have 6 months to opt in. They cannot opt in to the scheme after those 6 months have elapsed, except in exceptional circumstances.
- Where consumers are not contacted, they would need to complain to their firm within 1 year of the scheme start date to join the scheme.

7.42 We asked:

Question 31: Do you agree with our proposals that consumers will need to opt in to the scheme within 6 months of receiving the letter from their lender, or within 1 year of the start of the scheme if they are not contacted? If not, please explain why you do not agree and what other options we should consider

Feedback

7.43 Consumers and consumer organisations considered that the 6-month window was too short and may disproportionately affect consumers in vulnerable circumstances. Some suggested there should be flexibility and extensions for particular consumer characteristics, including those with a serious illness or with caring responsibilities. Some respondents also requested further guidance on what 'exceptional circumstances' means for those consumers who have missed the scheme deadlines.

7.44 Consumers and consumer organisations also felt the 1-year deadline was unfair as it applied to consumers who had not been contacted, so may have no awareness of the scheme. They suggested longer timelines, eg up to 2 years.

7.45 There were mixed views among respondents on the timelines for consumers to join the scheme. Broadly, among firms and trade bodies there was support in principle for an opt-in deadline and a deadline for consumers who are not contacted to join the scheme. But some respondents recommended a single fixed date for all consumers who have not complained, rather than 2 deadlines which could cause consumer confusion.

- 7.46** On the 6-month opt-in deadline, some firms recommended a shorter period ranging from 1-3 months as they were concerned the 6-month window could delay the process. They considered a shorter window would ensure consumers act promptly and receive redress quicker.
- 7.47** Some credit brokers and their trade bodies supported the 1-year deadline as they thought this gave a fair opportunity for engagement while ensuring scheme finality. There were some concerns from firms that giving consumers who are not contacted 1-year to complain could lead to operational pressures if many consumers leave it to near the deadline to complain creating bottlenecks.

Our response

We are proceeding with the 6-month deadline for consumers to opt in as proposed. This gives consumers sufficient time to read, understand and respond to the opt-in invitation from firms.

There were concerns expressed about consumers with vulnerable characteristics potentially needing more time. However, there is already provision in the rules for consumers to opt in after the 6 months in exceptional circumstances. We give a non-exhaustive list of examples of this in CONRED 5.4 and 6.4 including a consumer's incapacitation or other serious ill-health condition or bereavement during the relevant period.

We are amending the deadline for consumers who are not contacted to complain to their firm if they want to join the scheme. This will now be 1 year after the end of the implementation period of Scheme 1 (so 31 August 2027) for all consumers not contacted (whether their agreement is in Scheme 1 or Scheme 2).

This change to our CP25/27 proposals, of the deadline being 1 year after the scheme start date, was required, as there are now 2 schemes and so 2 dates of the end of the implementation periods. Therefore, to make it simpler for consumers who are not contacted by their firm, we are setting one deadline (31 August 2027) for when these consumers can complain to their firm to join the scheme.

To clarify, for consumers that complain after the end of the relevant implementation period and before the deadline to participate in the scheme discussed above, firms are required to assess liability, calculate redress and send these consumers a provisional redress decision or a redress determination within 3 months of receiving the complaint. Therefore, any consumer that complains before the deadline should get a response, whether they have a relevant arrangement or not.

In other feedback we were asked to clarify the process for joining the scheme for joint agreements, so agreements that have been taken out in joint names with more than one borrower. In cases of joint agreements, the consent of all parties to opt in or join the scheme needs to be present. Ultimately, the consent and acceptance of all parties need to be

held before any redress is paid or a case closed – unless it can be shown that there has been an assignment to one party of the right to complain and receive redress.

Identifying consumers

7.48 We proposed in CP25/27 that firms would be required to identify and contact consumers who have taken out motor finance from them – including where a firm finds the consumer's motor finance agreement is not a scheme case. Our proposals put the onus on firms to track down consumers, including by:

- using commercially available tracing services to find consumers they no longer hold data on
- contacting the consumer's estate if the customer who is owed redress had died

7.49 We also outlined our intention to deliver a communications campaign to inform consumers about the scheme to encourage them to reach out to their firm where they are not contacted within 6 months of the scheme start date.

7.50 We asked:

Question 26: Do you agree with the steps we propose lenders must take to make contact with consumers? If not, please explain why you disagree and what other options we should consider

Feedback

7.51 Consumers and consumer organisations were broadly supportive of the proposals, including proposals to use data beyond firms' records such as credit reference agency data. They also recommended that firms be required to use publicly available information, such as electoral rolls and death registers, to support tracing of historic consumers, as some were concerned that changes in their contact details could reduce their chance of being identified and contacted for redress.

7.52 Some firms supported the proposals subject to there being an implementation period. However, most disagreed with tracing and contacting customers who would not qualify for redress under the scheme. Firms considered this would create unnecessary cost and operational burden on firms and cause confusion amongst consumers. Such confusion could also lead to operational pressures on the Financial Ombudsman through increased complaints and create additional costs to firms through case fees. Some firms were also concerned about incomplete data and poor historical records, and expectations to trace consumers could conflict with data protection requirements.

7.53 Respondents across groups highlighted risks around data accuracy, such as contacting consumers at incorrect addresses, as well as fraud, including an increased likelihood of phishing, impersonation fraud and scams during several scheme stages.

7.54 Lenders and brokers repeated a strong preference for flexible communication channels. Consumers also thought that firms should use all contact methods where available, including telephone, email, secure applications, and mail.

7.55 Respondents requested further guidance on:

- What triggers required additional contact steps – for example, consumer organisations recommended that non-response or returned mail indicating outdated addresses triggers further contact. Some respondents wanted clarity on the number of required contacts across channels.
- Whether eligibility can be confirmed before outreach to avoid contacting ineligible consumers.

Our response

As set out in response to Question 30 and Question 20, we have listened to concerns about overly burdensome consumer communication steps. Where there is no existing complaint, firms only need to trace and contact those consumers that have scheme cases with at least 1 relevant arrangement (or where case is deemed not a scheme case due to limitation rules), and firms can use several channels to do so, including digital communication.

As firms will now have to contact fewer consumers and do not have to use recorded delivery letters (changes to communication channel requirements are covered in Chapter 9), we have addressed the concerns of disproportionate cost and efforts for firms – in particular for smaller firms with a very low number of scheme cases with relevant arrangements. However, we still need to ensure that firms trace and contact all those relevant customers, and it remains our intent to put the onus on firms to do what they can to locate them.

Given the increased flexibility in communication channels, we also think it is right to match this with a requirement on firms to attempt contact through several channels to ensure consumer engagement.

Tracing

Where firms don't hold up-to-date records, we think firms should be able to find consumer contacts using commercially available tracing services, such as credit reference agencies.

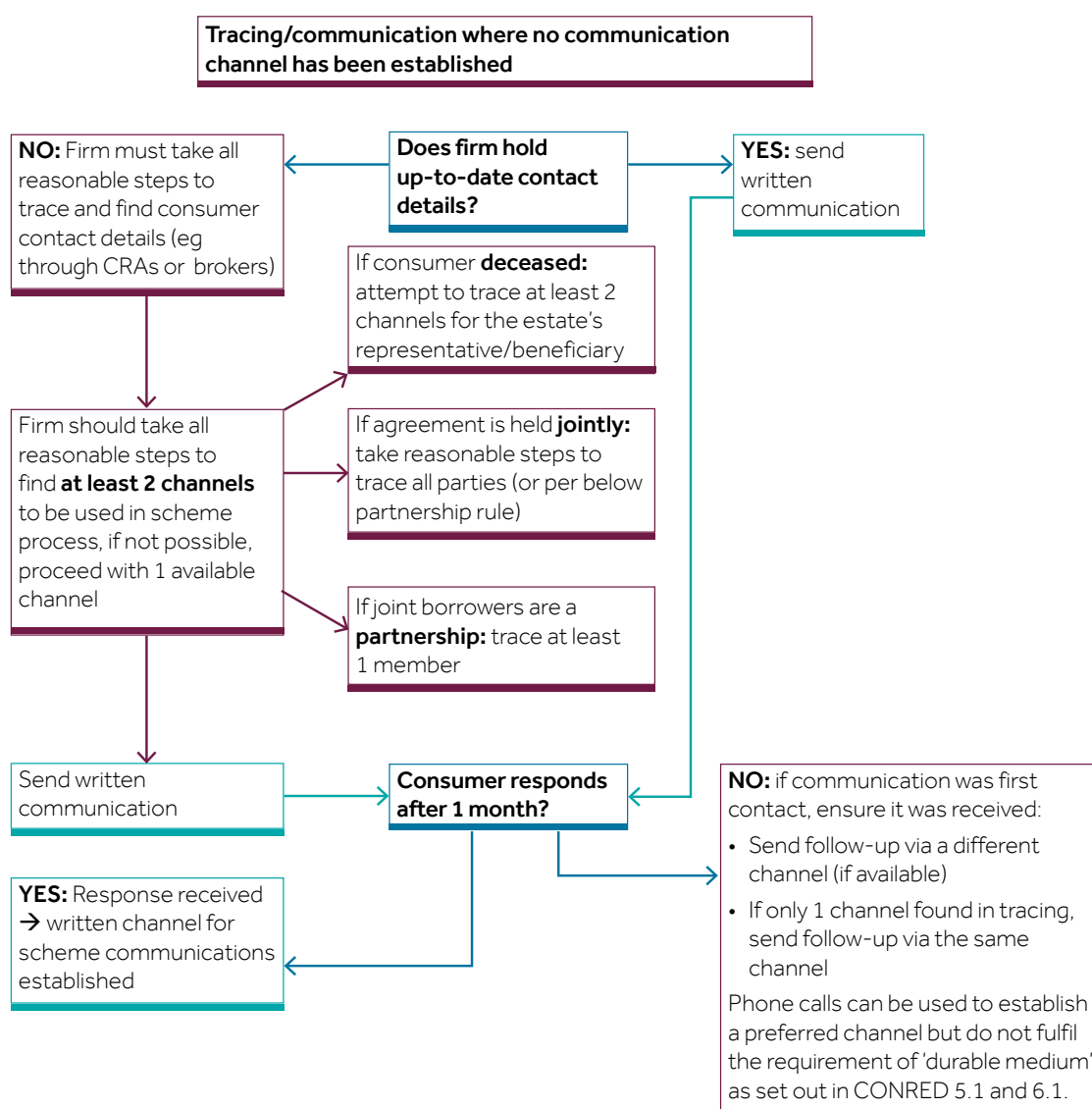
As we're allowing digital communication as well as mail, we are requiring that firms take reasonable steps to find contact details of consumers that include at least 2 communication channels, such as a postal address, an email address or a telephone number to establish a preferred written channel. This is also valid for consumers residing abroad.

Where a consumer has died, there may be a redress liability owed to the consumer's estate. In such situations we are also requiring firms to attempt to trace at least 2 different channels for the representative or beneficiaries of the consumer's estate.

Where the agreement is held jointly, we require firms to take the same reasonable steps to trace all parties to the agreement. This is to ensure that requirements are met to have consent from all parties joint on the case before any redress is paid out – unless it can be shown that there has been an assignment of the right to complain and receive any redress to one person.

Where the joint borrowers are a partnership, firms should attempt to trace at least one member of the partnership.

Figure 9: Tracing and follow-up communication - best practice



Follow-up communications

We have listened to consumer concerns that no response to scheme communication may not mean that a consumer does not want to take part in the scheme but that contact details may be wrong or outdated. We therefore require firms to make at least 2 attempts of communication via 2 different channels for the initial opt-in communication.

This means that a firm can send the first communication via a channel of its choice and in line with each consumer's needs. But if it has not received a response to such communication within 1 month, it is required to send a follow up opt-in reminder via a different channel. This is to ensure that correspondence is not missed (such as a letter gone to an outdated address, or an email missed in a junk folder) and a follow up through a different channel will heighten the chance of communication being noticed and actioned.

We are satisfied that after this initial step, a communication preference can be established and consumers who have opted in to the scheme can look out for further correspondence via that channel, so it is less likely to be missed.

We also require firms that become aware that existing contact details are out of date to take reasonable steps to trace up-to-date details and resend any communication that may have been missed.

While we have determined that a phone call is not a sufficient medium for formal individual scheme communications (which must be in writing, see Chapter 9 and CONRED 5.1 and 6.1), it can be used to make first contact or to follow up with a consumer where no response has been received, and to establish a communication preference.

If a firm has taken all reasonable steps (as set out in CONRED 5.7 and 6.7) to retrieve up-to-date contact details but has only been able to find one type (such as only a postal address or only an email address), we still expect a follow up opt-in communication to be sent but recognise that it will be sent via the same channel.

In addition to this, consumers can act if they do not hear from their lender and they want to participate in the redress scheme. We have been encouraging consumers for some time to complain if they are concerned. We will deliver a communications campaign informing consumers about the scheme, and that firms will be contacting consumers that may be due redress. But it will also make clear that if a consumer hasn't heard within 6 months of the end of the relevant implementation period and thinks they may be due redress, they can proactively contact their firms before the end of 1 year after the end of the implementation period of Scheme 1.

We are aware that a number of commercial parties, including credit reference agencies, have begun to develop and launch tools that enable consumers to identify whether they held motor finance agreements during the periods covered by the 2 schemes. While these services may assist consumers in understanding whether they had agreements in scope, they operate independently of the FCA and firms' obligations under the scheme.

Chapter 8

Communicating redress outcomes

8.1 This chapter sets out:

- the process of communicating outcomes to consumers after firms have carried out initial scheme checks (Chapters 3-5), assessed liability (Chapter 10), and calculated what redress is due, if any (Chapter 11 and 12)
- what should be included in the content of those communications.

8.2 This will primarily be done through provisional redress decisions and – where these are not accepted, or in instances where firms conclude that there is no liability and therefore no redress due – redress determinations.

8.3 This chapter also covers the objection and acceptance processes, and minimum requirements for the content of redress outcome communications.

Summary of policy decisions and how they support our scheme principles

8.4 Overall, we have maintained the outcome communication framework consulted on, while making targeted refinements to improve clarity, **fairness**, **transparency**, fraud prevention and operational simplicity. The final approach supports informed consumer decision-making, reduces the risk of confusion or misuse, and ensures redress outcomes are delivered in a timely and orderly manner.

8.5 Key decisions and clarifications include:

- We are maintaining the requirement for firms to issue a provisional redress decision in most instances. But we have changed how such decisions may be accepted as full and final settlement and when a redress determination must be issued. This supports **fairness** and **transparency**, by making sure consumers receive a clear statement of the scheme outcome. Acceptance in full and final settlement supports **timeliness**, finality and **cost effectiveness**, enabling consumers to receive redress sooner, while preserving their ability to object where appropriate.
- We have simplified the communication process by requiring provisional redress decisions to be issued for most redress outcomes. This supports clarity and consistency, by making sure consumers know what to expect and receive a clear explanation of the firm's assessment in their cases.
- We are broadly maintaining the objections process consulted on in instances where consumers do not agree with the outcome. This supports **fairness** and preserves consumers' access to challenge, while avoiding unnecessary changes that could disrupt scheme delivery.

- We are requiring active consumer acceptance before redress is paid, rather than treating non-response as acceptance; and requiring payment of redress within 1 month *from acceptance* of the outcome. This supports consumer protection, fraud mitigation and certainty, by ensuring payments are made only following positive consumer engagement and receipt of payment instructions.
- We are extending provisions for exceptional circumstances to be considered with response deadlines for acceptances, in line with the approach requiring active acceptance. This promotes **fairness** for consumers and considers those in vulnerable positions.
- We are maintaining the minimum content requirements consulted on. We are adding the requirement to request payment details with the provisional redress decision or redress determination where an offer is made. This supports simplicity and flexibility, and allowing firms to tailor communications to consumer needs, while maintaining consistent minimum standards and secure, efficient processes.

Content of the redress determination proposed in CP25/27

8.6 In CP 25/27, we proposed that the redress determination should include:

- The firm's assessment of:
 - whether the scheme case included any relevant arrangement giving rise to an unfair relationship (namely a DCA, high commission arrangement, or contractual tie)
 - whether there was an unfair relationship (and, if not, why not)
 - any personal characteristics that could have affected understanding of any disclosures
 - if there was an unfair relationship, whether it caused loss or damage (and, if not, why not)
- If there was no unfair relationship that caused loss or damage, a statement that no redress is due.
- If there was an unfair relationship that caused loss or damage:
 - the total redress amount payable, with the amount of compensatory interest awarded clearly specified, and
 - a breakdown of the redress calculation
- An explanation that the consumer must notify the firm if they disagree with any aspect of the provisional redress decision, including the compensatory interest amount, so that the firm can commence the process for dealing with objections.
- A reminder that the consumer has the right to complain to the Financial Ombudsman.

Issuing redress determinations

- 8.7** In CP25/27, we also proposed the approach firms should take to issuing redress determinations, including:
- That lenders should, in most circumstances, send their provisional redress decisions within 3 months of the end of stage 1 of the scheme (initial scheme checks); and that the provisional redress decision should set out the provisional outcome of the review of their scheme case and give the consumer an opportunity to object.
 - That the provisional redress decision would be finalised as a redress determination after 1 month of it being sent unless the consumer notified the lender within that period that they wished to object.
- 8.8** We said that our proposals ensured consumers who complained prior to the scheme start – and did not opt out of the scheme – should receive their provisional redress decisions within 7 months of the scheme start. Consumers without existing complaints and who opted in to the scheme should receive their provisional redress decisions within 15 months of the scheme starting.
- 8.9** We also said that we would leave it open to firms to decide whether to include a process to allow consumers to actively accept a provisional redress decision before 1 month has expired. However, we proposed that consumers should not be required to respond for the provisional redress decision to become a redress determination.
- 8.10** We asked:
- Question 73:** Do you agree with our proposal that lenders will need to send provisional redress decisions within 7 months of the scheme start to consumers who have already complained, and within 15 months to all other consumers whose agreements have been assessed under the scheme? If not, please explain why you do not agree and what alternative time limits we should consider

Feedback

- 8.11** While we received varied views on the redress determination process, most respondents disagreed with the 2-stage approach of sending a provisional decision and a final redress determination to consumers and instead recommended a single redress decision letter. The rationale for this was largely focused on:
- The operational and cost burden of sending 2 decisions, particularly for firms sending communications to large consumer cohorts.
 - The risk of consumer confusion, particularly where there are differences between the provisional and final decision.
 - The risk of increasing the compensatory interest period where additional time is needed to send provisional decisions.

- 8.12** There were mixed views on our proposed timelines for redress decisions. Some stakeholders, including several consumers and consumer organisations, and professional representatives (PRs), were supportive of the 7-month and 15-month timelines for provisional redress decisions.
- 8.13** However, some consumers and consumer organisations called for shorter timelines (ranging from 3 to 6 months), noting that firms should already have access to relevant data (eg existing DCAs), and should have already been aware of the scheme for some time. They also said extended timelines could lead to sustained consumer detriment.
- 8.14** On the other hand, most firms called for longer timelines. They considered the proposals operationally unrealistic, particularly if the scheme was to start the day after our Policy Statement publication (so without an implementation period). They noted several barriers to delivering within the 7-month and 15-month timelines, including:
- Time to train and recruit staff to deliver the requirements of the scheme, particularly for smaller firms with limited resources.
 - Time and resource to trace and verify consumers' details which could be subject to delays where consumers do not respond or engage.
 - Time and resource to reconstruct historic data where it is incomplete.
- 8.15** Several firms also highlighted the challenges in managing complex cases such as where consumers have multiple PRs, where customers are in vulnerable circumstances or have passed away, and insolvency and debt-sale cases, which could further extend the required time.
- 8.16** Firms also thought that the proposed timelines increased the risk of incorrect decisions, inconsistent outcomes and escalations to the Financial Ombudsman. Many proposed alternative timelines ranging from 12 to 24 months, with some suggesting a risk-based, phased timeframe. Some respondents also suggested that timelines should be paused where there are delays caused by customers failing to respond, for example, in circumstances where the customer needs to provide information for the claim to progress.
- 8.17** To manage the operational burden on firms, some firms and trade bodies proposed a simplified model for firms with expected redress for less than 1% of agreements in their books. This could include skilled persons verification, reduced consumer contact requirements, a website notice instead of writing to individual customers, and the ability to use simplified redress calculations. Several firms also considered that firms who owed redress in less than 1% of their customer agreements could be exempt from the scheme.

Our response

We have listened to the concerns about the 2-stage process of a provisional decision and a final redress determination, and the potential confusion or operational burden this might cause. We have streamlined the process consulted on by allowing for consumers to accept redress outcomes in provisional redress decisions immediately, rather than

waiting for a final redress determination. Alongside introducing more flexibility in the communication channels a firm can use (such as allowing digital communication, see Chapter 9 for details) and reducing the number of consumers that firms must contact (see Chapter 7 which explains that firms are now required to only contact consumers who have complained or who have relevant arrangements), this change means a 2-stage process remains the most efficient way to achieve the scheme purpose, and to provide clarity to consumers and finality for firms, while reducing the operational burden of previous proposals.

We have also decided that payment of redress should require an active acceptance by the consumer. This departs from the proposal consulted on (which said that consumer acceptance should be assumed and the firm required to pay the consumer the redress due if the consumer did not object to the firm within 1 month). This new approach aims to ensure a controlled process for consumers to consider outcomes and provide payment details. It also mitigates the heightened risk of fraud associated with providing bank details. For further fraud mitigation strategies, see Chapter 9.

Process for communicating redress outcomes

We have simplified the overall process of when firms must send a provisional redress decision and/or a redress determination. Please see the flowchart below for an overview.

Redress determination as first outcome communication

Firms must send a **redress determination** to consumers:

- who **have complained** to the firm, or
- who **complain** before the deadline to participate in the scheme, and
- their cases are
 - not within the subject matter of the scheme (see Chapter 3).
 - not a scheme case (including those that are 'out of time' for the scheme) (see Chapter 3 and Chapter 4).
- who **have not complained** and have an agreement with one or more relevant arrangements, but it is assessed as out of time for the scheme on limitation rules (see Chapter 4 and Chapter 7).

Provisional redress decision as first outcome communication

In all other scheme cases, as per the provisions in Chapter 7, firms must send a provisional redress decision to the consumer.

The provisional redress decision has various functions in 3 key scenarios:

- Where the consumer complained to the firm before the end of the implementation periods; or where the consumer complains to the firm after the end of the implementation periods and before the deadline to participate in the scheme: the provisional redress decision is sent as a complaint response.
- Where the consumer has been sent an opt-in communication and decided to opt in to the scheme: the provisional redress decision is sent as the outcome of the scheme assessment.

- Where there has been no previous scheme contact with a consumer who has been located through tracing and the firm has already reached an outcome: the firm can decide to send the consumer a provisional redress decision combined with an opt-in communication to ask the consumer whether:
 - a. they want to opt in to the scheme, and if so,
 - b. tell them if they are due redress and the amount of that redress.

As set out in Chapter 7, in this scenario the consumer has 6 months to decide whether to opt in, and to accept or object to the provisional redress decision sent with the opt-in communication.

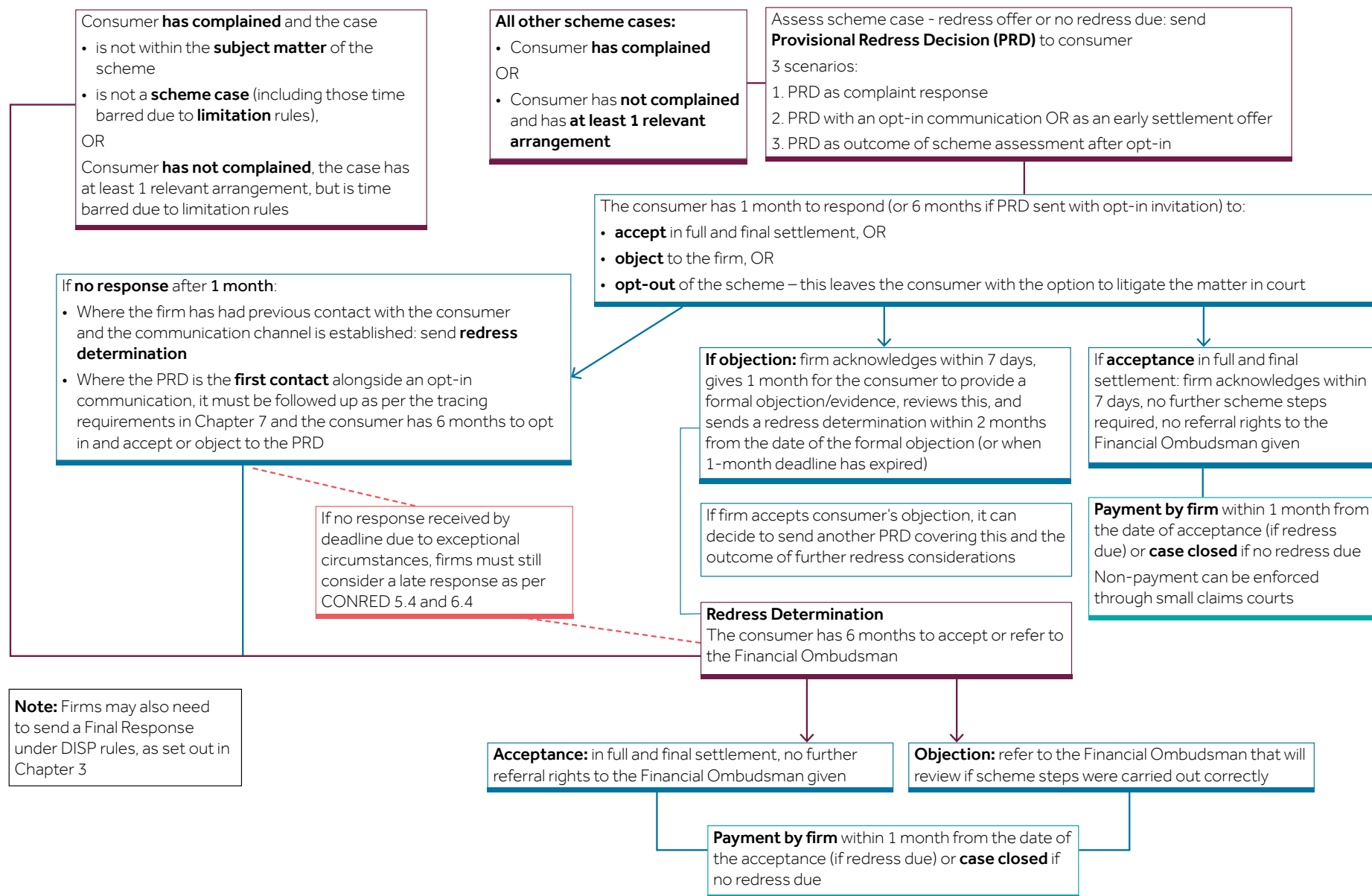
Firms must allow consumers 1 month to respond to the provisional redress decision. Within that 1 month, a consumer may either:

- **Accept the provisional redress decision in full and final settlement.** This will be the end of the scheme process and the consumer will not be given referral rights to the Financial Ombudsman. Any potential non-payment can be enforced through the court process; or
- **Object to the provisional redress decision to the firm.** Following an objection from a consumer, the firm must give the consumer time to provide evidence before reviewing the case and sending a redress determination that includes the right to refer the case to the Financial Ombudsman within 6 months (see below for further detail on the objection process); or
- **Decide to opt out of the scheme altogether.** This will be the end of the scheme process, and the consumer may only litigate the subject matter of the scheme in court. If a firm receives no response from a consumer after a period of 1 month, the firm may issue a redress determination.

Where a firm chooses to send a provisional redress decision together with an opt-in invitation – so it is the first contact and no communication channel has been established – and there is no response from the consumer after 1 month, this communication must receive a follow up, as per the requirements in Chapter 7. In this scenario, consumers have 6 months to opt in and respond to the provisional redress decision.

Where consumers do not respond within the firms' deadlines due to exceptional circumstances, firms must consider these circumstances and allow objections or acceptances accordingly. A non-exhaustive list of examples of 'exceptional circumstance' is given in CONRED 5.4 and 6.4, including consumers' incapacitation, other serious ill-health condition, or bereavement during the relevant period.

Figure 10: Process of communicating redress outcomes



Content of provisional redress decisions and redress determinations

Since we have decided to streamline the process for accepting redress outcomes as set out above, we have also decided to make changes to the proposals consulted on regarding the content that provisional redress decisions and redress determinations must cover. This includes clarifying that instructions for acceptances should be provided in addition to the redress outcome.

For detailed requirements for firm communications in each scenario, please refer to CONRED 5 and 6 Annex 2-10.

As an overview, the **provisional redress decision** should contain:

- A clear, plain-English explanation of the redress outcome (either that a redress offer is being made or explaining that no redress is due).
- A clear illustration of the redress calculation, where relevant (including any indication that the lender intends to set redress off against the consumer's motor finance arrears, see Chapter 11, or if it is offering an early settlement with a maximum redress amount as per the provisions in Chapter 11), where relevant.
- An explanation on how to object to the outcome if the consumer disagrees and that they can notify the firm of this within 1 month of the date of the provisional redress decision.
- An explanation that the outcome can be accepted within 1 month in full and final settlement immediately, which would mean the scheme process has ended and there is no right to further objection and no referral right to the Financial Ombudsman.
- An explanation that the consumer can opt out of the scheme and the way to do so.

Where an offer of redress has been made, the provisional redress decision should contain:

- Instructions for how the consumer can accept the outcome and provide bank details or alternative payment instructions.
- A statement that the firm will pay the redress within 1 month from the date of acceptance by bank transfer unless the consumer provides alternative instructions.

Where a **redress determination** is sent, either following no response from the consumer, or containing an outcome that has been reassessed after an objection, the redress determination should contain:

- The same content as required in a provisional redress decision as set out above, and
- If the firm decides to accept further objections, an explanation on how to object to the outcome if the consumer disagrees, and the timeframe to do so.
- A notification that the consumer has 6 months to accept or refer the matter to the Financial Ombudsman.

Where a **redress determination** has been sent to inform the consumer that their case is not a scheme case (including due to limitation rules),

is not within the subject matter of the scheme, or has no relevant arrangement, it should contain:

- A notification to the consumer of the existence of the scheme and its subject matter.
- An explanation why their case has been found to be not a scheme case, time barred under limitation rules, not within the subject matter of the scheme, or to not contain a relevant arrangement.
- If the firm decides to accept further objections, an explanation on how to object to the outcome if the consumer disagrees, and the timeframe to do so.
- A notification that the consumer has 6 months to accept or refer the matter to the Financial Ombudsman.

Timelines for issuing redress outcomes

We acknowledge the concerns stakeholders have about being unable to meet the proposed timelines for sending provisional redress decisions. As set out in Chapter 7, we are introducing implementation periods for Scheme 1 and 2 which should alleviate most of the concerns about the challenge of meeting these deadlines. We maintain the 3 month timeframe to send provisional redress decisions (and redress determinations, where relevant) which aims to give certainty to consumers, promotes timeliness, and allows us to monitor progress of scheme cases once the schemes are in force.

What this means in practice

For an overview, please refer to Table 5 on scheme timelines in Chapter 7.

For consumers who have *complained* before this PS has been published, or who *complain* during the implementation periods:

- Firms are required to send a provisional redress decision within 3 months from the end of the implementation period of each scheme.
- Taking the implementation periods of each scheme into account, this means firms will need to send a provisional redress decision or redress determination within 6 months of the scheme effective date for Scheme 2 (2014-2024 agreements, with a 3 month implementation period), and within 8 months for Scheme 1 (2007-2014 agreements, with a 5 month implementation period).

For consumers that *have not complained* to the firm but opt in to the scheme, or for consumers who complain to firms after the end of the relevant implementation period:

- Firms will need to send provisional redress decisions or redress determinations within 3 months from when a complaint is received or from consumers opting in to the scheme.
- As firms have up to 9 or 11 months respectively from the scheme effective date to send an opt-in invitation (depending on Scheme 1 or Scheme 2), and consumers have up to 6 months to decide to opt in, the overall timelines will vary. However, assuming that a firm sends a

consumer an invitation to opt in 6 months after the implementation period ends, and the consumer takes the full 6 months to opt in, the consumer would receive a provisional redress decision after a maximum of 20 months from the scheme effective date. However, this could be significantly earlier if a consumer decides to opt in to the scheme soon after receiving the opt-in invitation, or in circumstances where firms have sent a provisional redress decision at the same time as an opt-in invitation.

Objections process

8.18 In CP25/27 we set out our proposals for how we expect firms to manage objections to redress decisions. Where a consumer objects within the 1 month period following a receipt of the provisional redress decision or redress determination, we proposed that the firm must:

- Acknowledge the consumer's notification of their intent to object within 7 days.
- Give the consumer 1 month from the date their objection was acknowledged to submit their formal objection and any information and evidence to support it.
- Give the consumer clear, plain-language instructions on how to provide evidence with a simple means to do so.
- Consider the consumer's objection and any supporting evidence and provide a redress determination within 2 months of receiving the consumer's formal objection.
- Where the consumer misses either the deadline for notifying the firm of an objection or submitting their formal objection due to exceptional circumstances, we proposed that the firm must still consider the consumer's notification or objection. Exceptional circumstances would include incapacitation, other serious ill health, or bereavement.

8.19 We asked:

Question 76: Do you agree with our proposals for how a consumer can object to a provisional redress decision? If not, please explain why you do not agree and what alternatives options we should consider

Feedback

8.20 Respondents broadly agreed that consumers should have the right to object.

8.21 Consumers and consumer organisations considered that processes should be straightforward and not create barriers to objections. They requested that we are clear that the list of exceptional circumstances is not exhaustive. PRs, on the other hand, requested a full list of exceptional circumstances.

8.22 Many considered that that the 1-month window to object was too short, particularly for consumers in vulnerable circumstances, digitally excluded consumers, and for older and more complex cases which require greater evidence gathering.

- 8.23** Some PRs noted they would need more time to assess the accuracy of the redress calculations and obtain client instructions. They recommended extending the deadline to 2 – 3 months for represented customers.
- 8.24** Some respondents suggested different windows to object for customers who complained before the publication of this policy statement and customers who complain after the start of the scheme.
- 8.25** A small number of firms raised concerns that the 1 month objection window was too long. Some firms suggested a shorter period of 14 days while others considered the FCA should limit the challenge process altogether to remove the risk of it becoming a secondary dispute route or a mechanism to appeal the decision.
- 8.26** Many firms considered that the proposals created excessive administrative burden, particularly where reassessment of every objection would be mandatory. Smaller firms highlighted that this approach could overwhelm resources which would likely mean that costs outweigh the benefits. Firms recommended that evidence from customers who object should be required upfront (ie at the same time as the customer's objection notification) to filter out unsupported objections. Several firms called for provisions on evidence thresholds to avoid bulk or speculative objections, especially through PRs.
- 8.27** Some consumers, consumer organisations, and PRs raised concerns around the accessibility of the proposed approach to objecting for customers in vulnerable circumstances, including those who are digitally excluded. They suggested having a firm-led review of rejections within 30 days with firms having to provide a revised offer or reaffirm the original offer.
- 8.28** Firms called for further guidance on what consumers could object to, with a strong preference that this should be limited to correcting factual or data errors only. Firms recommended that challenges to the methodology should not be a valid rationale for objecting and that any objections on this basis should be referred to the Financial Ombudsman.
- 8.29** PRs raised concerns around the reliance on consumers sending objections directly to firms and broadly considered that the objection process could advantage firms over consumers. They considered that consumers and representatives must have full access to data, assumptions, and calculations before the objection period begins.

Our response

We acknowledge the concerns raised around complexity of the 2-stage process and the operational burden. However, as we have simplified the process as set out above, we are broadly maintaining the objections process consulted on as set out in CP25/27.

We believe 1 month to *notify* the firm of an objection leaves sufficient time for consumers to assess the redress outcome and seek advice where needed. Firms will also need to consider exceptional circumstances where response deadlines have been missed. Examples

of what may constitute exceptional circumstances are given in CONRED 5.4 and 6.4.

Consumers then have 1 further month to *submit* their formal objection and provide evidence or further information. We expect firms to give clear, plain language guidance on how to do so as part of the provisional redress decision (see above section about letter requirements).

Requiring firms to send clear information on factors used in determining redress as well as calculations (including set-off intentions, see Chapter 11) aims to enable consumers (and, where relevant, their PRs) to make swift decisions on whether to object to or accept an outcome.

Firms have 2 months from when the formal objection with additional evidence or information has been received – or from when the 1-month deadline for the consumer to provide this has expired – to review the objection and any further evidence and send a revised provisional redress decision or a redress determination.

If firms agree with a consumer's objection, it is up to firms to decide whether they send a revised provisional redress decision after reviewing an objection, or a redress determination. However, where they do not change the previous outcome, firms must send a redress determination which must contain a notification of referral rights to the Financial Ombudsman.

While we do not limit what objections could cover, the role of the Financial Ombudsman and what it will review when receiving complaints about scheme cases is covered in Chapter 6. We have also set out clear expectations for PRs which should alleviate concerns from firms about bulk or unfounded objections from PRs (Chapter 6).

Confirmation and payment

Finalising the redress determination

8.30 We proposed in CP25/27 that once the redress determination has been finalised, the firm must:

- send the letter confirming the redress decision
- pay any redress due by bank transfer (unless alternative payment instructions have been received from the consumer) within 1 month of sending the confirmation

8.31 We asked:

Question 74: Do you agree with our proposals for finalising the provisional redress decision? If not, please explain why you do not agree and what alternatives options we should consider

Feedback

- 8.32** Respondents had mixed views on the approach to redress payments. Some firms agreed that payment should proceed automatically where consumers do not object within the 1-month deadline. However, many others considered that payment should only take place once consumers have accepted the final decision.
- 8.33** Some considered the 1-month window to issue payment to be too short, particularly given the need for ID and anti-money laundering checks for large numbers of consumers. Respondents also acknowledged that delays may be driven by consumers, for example where consumers share alternative payment details late in the process. There could also be additional operational steps for live agreements, which may extend timelines. Respondents suggested an extended payment window, ranging from 2 to 4 months.
- 8.34** Some respondents also considered that the FCA should allow payments through other secure methods, beyond bank transfer.

Our response

We have listened to the concerns from stakeholders about automatic or implied acceptance as set out above. As such, we have decided that payment of redress will be conditional on a consumer's acceptance of the offer in full and final settlement of the consumer's legal claims against the firm, and on giving up the right to refer the matter to the Financial Ombudsman. Payment should be made promptly upon receipt of their acceptance and within 1 month.

Bank transfer is the payment method suitable for most consumers and should be used, unless consumers provide reasonable alternative instructions, such as a payment by cheque. To allow payment within 1 month, firms must request such payment details within the provisional redress decision or the redress determination, to be provided by the consumer with their acceptance. This also aims to mitigate fraud risks as consumers will know when they will be expected to provide such details.

In cases of joint agreements, the acceptance of all parties to the agreement is required before any redress is paid (or a case closed), unless it can be shown that there has been an assignment to one party of the right to complain and receive redress.

In cases where the consumer is insolvent, please refer to Chapter 3.

We recognise the concerns of stakeholders about the expectation to make payment within 1 month. We are maintaining the position that payment is to be made within 1 month but, in line with the changed process described above, payment is to now be made within 1 month from the date of *acceptance* of a provisional redress decision or a redress determination, in full and final settlement.

While the need for ID and anti-money laundering checks for large numbers of consumers, as well as other operational steps raised in the

stakeholder feedback, may take time, we would expect firms to initiate these steps as soon as possible upon determining a redress offer, not only from the point of acceptance. Chapter 9 sets out the existing obligations under financial crime prevention rules. Where consumer bank details are part of such checks, these will be requested as part of the acceptance to allow swift processing in line with such obligations and within the streamlined process of provisional redress decisions and redress determinations.

Interest on delayed payments

8.35 We proposed that if redress is not paid within the 1-month period, simple interest at 8% per year would apply from the end of the 1-month period until payment is made.

8.36 We asked:

Question 75: Do you agree with our proposal that if a lender makes a payment more than 1 month after sending the redress determination, then interest will accrue on the redress payment at 8% per year? If not, please explain why you do not agree and what alternatives options we should consider

Feedback

8.37 Responses to this question were split.

8.38 Consumers and consumer organisations, as well as PRs were largely supportive of an 8% compensatory interest rate for late payments, though many argued the same rate should apply to pre-determination interest or that this should be compounded, not simple. Some considered the interest rate should be higher where consumers could demonstrate they were reliant on higher-cost credit during delays.

8.39 Firms were largely opposed to this proposal, arguing that 8% was disproportionately high and that the proposed scheme's standard compensatory interest rate provided a sufficient deterrent against delays. Others argued the FCA should monitor payment delays and identify outliers who fail to meet their obligations under the scheme, rather than relying on late payment interest to incentivise timely payment. Firms also called for there to be exceptions where delays are out of the firm's control (eg, where a customer does not provide their bank details).

8.40 Some respondents considered having a single compensatory interest rate both pre- and post-determination would help remove complexity and reduce potential for consumer confusion.

Our response

We are maintaining the position we consulted on.

While we do not believe 8% is an appropriate pre-determination compensatory interest rate, for the reasons set out in Chapter 11, we continue to believe it remains an appropriate post-determination rate where firms are late to pay. It aligns with the statutory rate of post-judgment interest ordered by courts under section 17 of the Judgments Act 1838, and serves as an important incentive for firms to pay redress in a timely manner. This is also consistent with the new approach taken by the Financial Ombudsman, who have maintained a fixed 8% compensatory interest rate for the late payment of awards.

We address firms' concerns about the payment deadline itself, and situations where delays are out of their control, above, by changing the requirement to pay redress within 1 month from the date of acceptance and having a more streamlined process to request payment details.

Chapter 9

Consumer communications and fraud mitigation

- 9.1** This chapter sets out the approach to consumer communications and the measures designed to mitigate the risk of fraud. It explains how firms should communicate with consumers in a clear, consistent and accessible way. It also covers the safeguards that will apply to help consumers identify genuine scheme communications and avoid harm from fraudulent activity.

Summary of policy decisions and how they support our scheme principles

- 9.2** Overall, we have refined the approach to consumer communications and fraud mitigation that we consulted on. We have made targeted changes to improve clarity and **simplicity**, while ensuring the cost of delivering the scheme is proportionate. Our final approach is designed to support consumer confidence and informed decision-making, minimise confusion and reduce risks of fraud.
- 9.3** Key decisions include:
- Setting clear, targeted requirements for the content of scheme communications, including standardised information to help consumers understand the purpose of the scheme, the steps involved and what action (if any) they need to take. This supports **fairness** and **transparency**.
 - Aligning communications expectations with firms' wider obligations, including the Consumer Duty. This supports good consumer understanding, by ensuring communications reflect different needs and preferences.
 - Allowing firms more flexibility in using a range of communication channels, subject to appropriate safeguards. This supports accessibility and **timeliness**, recognising the importance of reaching consumers effectively.
 - Requiring a standardised FCA factsheet to be provided at initial contact, with clear signposting to trusted sources of information, to help consumers verify communications and understand their rights. This supports **transparency** and trust, particularly for consumers who may be uncertain or vulnerable.
 - Introducing specific fraud mitigation measures such as the consistent use of unique reference identifiers and restrictions on the channels through which certain communications can be delivered. This supports consumer protection and confidence, by making it easier for consumers to distinguish genuine scheme communications from scams.
 - Reducing prescriptive rules for administrative communications including most acknowledgments and reminders. This supports **simplicity** and **cost effectiveness**.

Consumer communications

9.4 We set out in CP25/27 the letters that firms will be required to send to consumers and the key content those letters should contain. The letters we proposed include:

- early settlement offer
- opt-in letter to consumers who have not previously complained
- opt-in reminder to consumers who have not responded
- opt-out letter to consumers who have already complained
- provisional redress decision covering the set of outcomes expected under our proposed redress approach, followed by redress determination
- acknowledgment of opt-in, opt-out or challenge to provisional redress decision.

9.5 We also set out that all letters required under the scheme must be printed on the letterhead of the firm and dispatched by recorded delivery mail.

9.6 We asked:

Question 20: Do you agree with the letters we propose lenders send to consumers and the level of detail we require in those letters? Do you think the FCA should provide template wording to be used in those letters in the final rules? If you disagree, please provide reasons for your answers

Feedback

9.7 Stakeholders of all types broadly supported standardised, template wording for communications to make sure consumers understand their eligibility, any action required, and the redress outcome, although there were mixed views on the extent to which template letters should be mandated. Some firms were concerned mandated templates may be overly rigid, but many stakeholders, especially consumers and consumer organisations, believed template wording should be mandated, not optional, to avoid inconsistencies and confusion for customers.

9.8 Stakeholders called for clear requirements so that scheme communications ensure good consumer understanding and are accessible for consumers with specific needs, including those in vulnerable circumstances. There was also broad support for any template wording to be tested with consumers.

9.9 Across stakeholders, there was widespread disagreement with the FCA requiring all scheme communications to be sent by recorded delivery mail. The main reasons were high cost, delays, poor alignment with customer needs and preferences and the environmental impact.

9.10 Stakeholders broadly agreed that permitting digital communications is more aligned with existing industry practice under the Consumer Duty. Some firms suggested that existing, established channels should be used, including digital routes, while recorded delivery mail may lead to poor outcomes where it does not meet customers'

preferences and needs such as the needs of working households and victims of domestic abuse.

- 9.11** Trade bodies and firms pointed out the disproportionate cost of recorded delivery letters. Smaller firms, in particular, said that the cost of this requirement could significantly affect their overall financial position and the cost of operating the scheme would in some cases outweigh any redress due. Permitting multiple channels will also support firms' ability to trace historic customers.
- 9.12** Some industry stakeholders felt that communication steps should be streamlined to reduce the operational burden on firms while ensuring good outcomes for consumers and preventing impersonation scams. Overly burdensome processes for either consumers or firms could lead to poor outcomes, unnecessary costs and complexity.
- 9.13** Some consumer organisations pointed out the risks of inappropriate communication methods, such as misuse of informal online channels such as social media, could increase risks of fraud and scams.

Our response

Key communications and content they'll cover

We are confirming in our final rules the communications firms are required to send to customers under the scheme and high-level content they must include. This approach – in line with our proposed rules in CP25/27 – strikes a balance between certainty for consumers about what they can expect in each stage of the process, and flexibility for firms to tailor how they present the information to suit the customer journey.

CONRED 5 and 6 Annexes 2-10 set out high-level content requirements for key communications under the scheme. These requirements are updated to reflect the streamlined scheme steps covered in Chapters 7 and 8 and the revised set of outcomes under our final redress approach set out in Chapters 10 and 11.

These content requirements are applicable to the following key communications:

- Provisional redress decision for scheme cases
- Redress determination: scheme cases
- Redress determination to customers who have previously complained confirming their case is not a scheme case
- Opt-in invitation to customers who have not already complained confirming they have a scheme case and asking if they want to opt-in
- Redress determination to customers who have not previously complained confirming they do not have a scheme case
- Opt-in follow-up communications to consumers who have not responded
- Provisional redress decision to customers who have previously complained where the lender cannot determine, because records or

information are missing or insufficient, whether the case is a scheme case and requires further information

- Acknowledgement of challenge to provisional redress decisions

We are largely maintaining the content that must be covered within the opt-in invitation, provisional redress decision and redress determination. This includes key information in relation to opting into the scheme, challenging outcomes and Financial Ombudsman referral rights.

We recognise the need for flexibility and will not be prescribing template letters, subject to firms providing consumers with a standardised factsheet when they make initial contact with them under the scheme (see fraud risk and mitigation section below).

We are also removing prescriptive requirements for the content of administrative communications, including most acknowledgement and reminder communications.

Alignment with relevant Consumer Duty requirements

We are taking on board stakeholder feedback that communication requirements for the scheme should align with relevant Consumer Duty requirements, in particular, the consumer understanding and consumer support outcomes of the Duty.

When communicating with consumers under the scheme, firms will be required to

- Support their customers' understanding by ensuring that their communications meet the information needs of customers and are likely to be understood by customers intended to receive the communication. They should also equip them to make decisions that are effective, timely and properly informed.
- Tailor communications to consider the characteristics of the customers intended to receive the communication – including any characteristics of vulnerability, the complexity of products, the communication channel used, and the role of the firm.
- When interacting directly with a customer on a one-to-one basis, where appropriate, tailor communications to meet the information needs of the customer, and ask them if they understand the information and have any further questions.
- Monitor and adapt communications to support understanding and good outcomes for customers.

In considering the channel of communication, firms will be required to satisfy themselves that the channel used:

- Enables the communication of relevant information which customers are likely to need in a way that supports effective decision making;
- Provides an appropriate opportunity for customers to review the information and, where relevant, assess their options.

These expectations mirror requirements under the consumer understanding outcome of the Consumer Duty.

In addition to the consumer understanding outcome, the consumer support outcome of the Duty is also relevant. Subject to appropriate fraud prevention measures (covered in fraud risk and mitigation section below), firms will also be required to make sure customers do not face unreasonable barriers in accessing support – for instance, to make claims or challenge redress outcomes – and that the use of digital channels does not disadvantage certain groups, such as digitally excluded customers.

During the implementation period, we expect firms to consider their communication plans and where appropriate, test their communications. The amount of testing we expect firms to undertake will be proportionate to their size, resources and liabilities.

Communication channel

In response to feedback across consumers, consumer organisations and firms, we are removing the requirement for scheme communications to be sent by recorded delivery mail. Firms will be able to use a range of communication channels, subject to certain communications being sent in a 'durable medium' as defined in CONRED 5.1 and 6.1. More generally, our rules will require firms to communicate with customers in a way that meet their needs, including the needs of vulnerable consumers.

For the scheme to operate smoothly and efficiently, we want consumers to receive the information they need in a timely and accessible way. This revised approach is informed by the extensive feedback we received and evidence suggesting distinct consumer needs and preferences.

Our [consumer awareness survey](#) indicates that approximately 62% of motor finance consumers prefer to receive information about making a claim by email. This compares to 33% of consumers who prefer to receive information via a letter sent through the post, with smaller portions preferring web portals or mobile apps. [Consumer and behavioural research we undertook](#) also highlights distinct consumer preferences and needs for digital and non-digital channels.

Good practice findings

We have undertaken a series of consumer and behavioural research to test the effectiveness of firm letters to consumers about our scheme. This found that relatively small changes to content, design or framing of a letter can significantly improve understanding, sentiment, and intended behaviours. Details can be found in our [Research Note](#).

Based on our research, we identified example features of communications that effectively improve consumer understanding and engagement (Table 6). We further illustrate these features in a [good practice example opt-in letter](#), taking into account overall findings from our research.

We expect all firms to consider those findings in formulating their communication approach. We also remind firms that communications can be more effective when they are layered, engaging, relevant, simple, and well-timed, in line with [FG22/5 8.9-8.13](#).

These examples of good practice are intended to help firms understand our expectations. How firms implement these findings will depend on circumstances of their business and findings from their own communication testing. Some firms, especially small firms with very low liability exposure under the scheme, may be constrained in their resource and capability to test communications upfront. Those firms may particularly benefit from referring to our good practice example letter.

Table 6: Key insights from consumer and behavioural research – good practice findings

Expectation	Example features of good communication
1. Signalling legitimacy and authenticity	• Explicitly state that the letter relates to the FCA Motor Finance Compensation Scheme • Include personal agreement details (eg agreement number, model or registration of vehicle, date of agreement) • Use the firm's official branding and contact details • Signpost to safe routes for checking authenticity (factsheet information, FCA webpage and helpline) • Include the required unique customer reference number
2. Using plain English and customer-centric design	• Present information in a clear, layered structure • Use plain, accessible language • Place essential information upfront, highlighting any action required and deadlines
3. Clear, accessible actions	• Provide at least 2 channels for consumers to contact the firm (eg email + post) • Present steps in a short, bulleted or numbered list • Support those who need alternative or accessible formats • Transparently explain if action is required, deadlines and what happens if no action is taken

Fraud risk and mitigation

Feedback

- 9.14** Stakeholders of all types expressed concerns about the risks of the scheme process and communications being susceptible to fraudulent activities. Concerns were raised about the ability for scammers to intercept or impersonate legitimate scheme communications – particularly at points where customers are asked for bank details or receive proactive outreach from firms. The scale and complexity of the scheme further heighten the risk of consumers being subject to illegitimate contact.

- 9.15** In light of those risks, stakeholders raised the importance of consistent communications across firms to ensure consumers are equipped with the information they need to identify fraudulent communications and verify authenticity. Consumer organisations broadly supported template wording to set out clear, consistent information about scam risks and how consumers can independently verify the legitimacy of communications. Some consumer organisations suggested requiring firms to include a trusted consumer leaflet in letters and exploring recognisable envelope design, such as colour-coded envelopes, to support effective engagement.
- 9.16** Some industry stakeholders suggested consumers would need to verify the legitimacy of communications through the firms' formal channels. Some suggested the FCA should provide a central portal or database for customers to check firms' details. Ideas also included an FCA-published list of firms' contact details and consumer helpline that directs consumers to their firms' genuine support channels. Consumer organisations suggested those resources can be signposted through their channels.
- 9.17** Firms requested further clarification on fraud prevention obligations for firms under the scheme, such as verification steps they should take prior to payment, secure payment methods to be used and channels for customers to provide bank account details. Some firms also queried how they should deal with any delays to the payment process due to additional checks to meet financial crime obligations.
- 9.18** More generally, consumer and industry stakeholders highlighted the importance of fraud prevention measures that effectively support vulnerable consumers susceptible to greater risks of harm.

Our response

Robust fraud prevention is critical to consumers' trust and confidence in the scheme and its overall success. Our scheme rules and the FCA's wider communication tools are important ways to mitigate risks of fraud and scams.

We want to provide simple and robust mechanisms for consumers to verify the legitimacy of communications. We are introducing a new rule requiring firms to adopt a consistent, unique reference number or identifier for each scheme case and to include it across all individual scheme communications with consumers or their representatives. This can be an existing claim number or agreement number. It is up to firms to decide whether it's appropriate to include any other key details, such as the date of agreement, vehicle details and registration number, to help consumers verify authenticity.

To strengthen anti-fraud protections, the FCA will publish on its website a list of lenders in scope of the scheme, including their trading names and appropriate contact details in relation to the scheme. In addition, the FCA will operate a dedicated helpline, available on a local-rate number, to safely direct consumers to their firm if they are unsure whether a message is genuine. The FCA will also provide a dedicated online chatbot on its website to answer common questions about the scheme.

The FCA's [Firm Checker](#) is an existing tool for consumers to check if the firm they are dealing with is a regulated firm. It covers a range of FCA-regulated firms that have a role in communicating with consumers under the scheme, including FCA-regulated lenders, CMCs and debt purchasers (where the firm no longer exists). Consumers can also check if a law firm is regulated using the website of the Solicitors Regulation Authority (SRA) and other legal regulators.

Standardised factsheet for key communications

We are requiring firms to provide each customer with a standardised FCA factsheet when making initial contact with them under the scheme. This includes when sending:

- opt-in invitations to customers who have not complained, inviting them to join the scheme ([Factsheet 1](#)), and
- provisional redress decisions or redress determinations to customers with existing complaints ([Factsheet 2](#)).

Each factsheet is designed to provide consumers with the key information relevant for the specific communication they receive at their first point of contact under the scheme. These are critical stages of the scheme where consumers' engagement and timely responses may be required, and inconsistent information can heighten risks of fraud and scams.

The factsheet sets out essential information about the scheme and directs consumers to trusted sources of further guidance, helping them make effective decisions at key points of the consumer journey. Given the scale and complexity of the scheme, and flexibility for firms to set their communications, the factsheet helps ensure consumers receive consistent, accurate and accessible information about the scheme, its processes and fraud protection advice.

We expect firms to use the factsheet wording in full without amendment, regardless of the communication channel used. To preserve flexibility for firms, we are not prescribing how the factsheet is provided – such as by email, paper or secure portal – as long as customers can easily access the information.

We explored the feasibility of recognisable envelope design but do not believe that it would effectively encourage engagement as communications will be sent via a range of channels beyond recorded delivery mail.

Existing financial crime obligations

Firms already have strong regulatory obligations to establish and maintain effective systems and controls to counter the risk that they might be used to further financial crime. These obligations are set out in Handbook rules and principles, including our [Principles for Businesses](#) and financial crime rules in [SYSC 3.2.6R](#) and [SYSC 6.1.1R](#).

In line with these existing requirements, our scheme rules do not prescribe specific methods of customer verification under the scheme, which will differ by firms and payment channels used. Instead, firms should apply proportionate, risk-sensitive controls consistent with their obligations under SYSC and the expectations set out in the FCA's Financial Crime Guide.

Firms should make sure that their controls remain proportionate, effective and reflective of evolving risks. These include, for instance, maintaining proportionate measures to verify customers' details, adequate ongoing monitoring arrangements, robust governance and clear accountability for financial crime systems and controls.

Firms should also apply appropriate safeguards to satisfy themselves that they are not being used to further financial crime where customers choose to use a professional representative (PR). This could include by checking that the PR is authorised to pursue claims of this nature using the Firm Checker and other sources highlighted above, and for FCA-regulated CMCs, the Financial Services Register shows if the CMC is allowed to handle client money.

These controls should be designed in a way that does not create unreasonable barriers for legitimate customers and take appropriate account of the needs of vulnerable customers.

We will monitor firms' approaches closely and where we identify concerns, we will consider whether additional measures or supervisory intervention is required.

Chapter 10

Assessing liability

- 10.1** This chapter sets out how firms must assess liability under the Scheme. It explains the standards for adequate disclosure, the use of rebuttable presumptions in establishing unfairness and loss, the evidence firms may rely on, and the circumstances in which those presumptions can be rebutted.

Summary of policy decisions and how they support our scheme principles

- 10.2** Overall, we have maintained the core liability assessment framework consulted on, while making targeted refinements and clarifications to improve **fairness**, legal **certainty**, consistency and deliverability. The final approach reflects the legal framework governing unfair relationships, the evidential realities of historic cases, and the need for a clear, scalable methodology capable of delivering redress quickly to millions of consumers.
- 10.3** Key decisions include:
- Confirming clear and prominent adequate disclosure standards for each relevant arrangement, including the specific requirements for DCAs, high commission arrangements and tied arrangements. This supports **fairness** and **transparency**, by ensuring the use of consistent disclosure benchmarks that reflect the substance of the information consumers should reasonably have received.
 - Maintaining the use of rebuttable presumptions of unfairness and loss, while clarifying their role as a necessary and proportionate tool in a mass redress scheme. This supports **certainty** and **timeliness**, by avoiding case-by-case litigation-style assessments while preserving firms' ability to rebut presumptions in defined circumstances.
 - Introducing a presumption of inadequate disclosure where evidence is missing, irrespective of the age of the agreement. This supports **fairness**, by ensuring consumers are not disadvantaged by evidential gaps outside their control, while reflecting the FCA's findings on historical disclosure practices.
 - Clarifying the evidence firms may rely on to demonstrate adequate disclosure, including the distinction between primary and secondary records and the reasonable steps firms must take to verify that evidence. This supports legal **certainty** and supervisory effectiveness, by setting clear expectations that are auditable and capable of independent review.
 - Refining the grounds on which presumptions may be rebutted, adding a new rebuttal for non-operative tied arrangements, and broadening the range of evidence that can be used to rebut the presumption of loss because there was no better deal available. This supports **fairness** by allowing firms to rebut liability where unfairness or loss is not plausibly established on the facts.

- Confirming the evidential standards and governance expectations for rebuttals, including requirements for verification. This supports confidence and consistency, by reducing the risk of uneven or opportunistic application across firms.

Establishing how many relevant arrangements were present

- 10.4** For each scheme case, we proposed in CP25/27 that as part of assessing liability firms will need to determine whether any of the 3 relevant arrangements that could give rise to an unfair relationship is present. The reason firms must check for all relevant arrangements is because the type and combination of relevant arrangement(s) in a scheme case will determine which remedy the consumer receives, as set out in Chapter 11. So, we expect firms to take a systematic approach and check for all potential relevant arrangements. This means not stopping if, for example, their first search identifies a relevant arrangement. While this would be sufficient to trigger a requirement to contact a consumer (as set out in Chapter 7), it would not be sufficient for the purpose of assessing liability.
- 10.5** In CP25/27 we set out certain steps that firms must take to identify whether a relevant arrangement was present – the presence of a relevant arrangement will not be presumed.
- 10.6** We proposed that firms must review records of the individual agreement, as well as more general corporate records dealing with commercial practices (eg use of different commission arrangements) and relationships (eg with brokers) over longer periods of time. For example, firms may have documents showing that during a particular period they only used DCAs, or did not use DCAs at all, and could use these documents as evidence in respect of all agreements written during that period.
- 10.7** If, having followed the steps, the firm has not identified the presence of any relevant arrangements, it must conclude that no unfair relationship exists, and no redress is due.
- 10.8** We asked:

Question 32: Do you agree with the steps we propose lenders must take to identify the presence of a relevant arrangement? If not, please explain why you do not agree and any other options we should consider

Question 33: Do you agree with our proposal that if the lender has not identified the presence of any relevant arrangements having followed the steps required, that the lender must conclude that no unfair relationship exists, and no redress is due? If not, please explain why you do not agree and any other options we should consider

Feedback

- 10.9** There was considerable overlap between the responses to Questions 32 and 33 of CP25/27.
- 10.10** A number of consumers and consumer organisations, and professional representatives (PRs) emphasised the point that strong monitoring will be required by the FCA to avoid the risk that firms don't search for records that could show the presence of a relevant arrangement.
- 10.11** Some consumers and consumer organisations questioned the value in asking consumers for information they are unlikely to hold, as well as raising concerns about broker co-operation and that the 1-month deadline may be unrealistic if they are overwhelmed with requests.
- 10.12** Many firms raised concerns that identifying arrangements across large volumes of agreements with incomplete data will be labour intensive. They said that broker and consumer contact, and manual data reconstruction will likely increase administrative overheads, which could become overly costly and unmanageable, especially for smaller firms. They called for the requirements to be more proportionate given these challenges.
- 10.13** There were numerous calls for clear guidance on the steps firms should take and whether these are sequential, and some requests for clarification on the role of the Financial Ombudsman (which is set out in Chapter 6).

Our response

We are changing the requirement set out in CP25/27 for firms to contact consumers directly if, after completing the required steps, they still do not have the necessary records to identify whether a relevant arrangement was present. We have taken on board stakeholder feedback and no longer consider it necessary or proportionate to require firms to contact consumers and request this information.

In practice, we consider that any consumer held documentation is unlikely to reveal the existence of a relevant arrangement, and requiring firms to make a separate contact at this stage would add administrative complexity without the likelihood of meaningful additional information.

This approach is also consistent with our broader position not to require proactive contact with consumers who have not previously complained and whose agreements have no relevant arrangements. Consumers who have already complained can still provide any information they hold – whether to evidence the presence of a relevant arrangement, or inadequate disclosure – after receiving a provisional redress decision, giving them the chance to provide any objections.

We are not changing the position we consulted on that firms may conclude there was no unfair relationship if they have not been able to identify the presence of any relevant arrangements.

We have considered the risk that, due to there being no presumption of a relevant arrangement, firms might choose not to search for records or carry out only superficial searches and remain satisfied that the approach we consulted on will address this risk.

Our supervisory approach is set out in more detail in Chapter 13. However, for the purposes of addressing the risk that firms might choose not to search for records:

- Firms must provide an attestation from a suitable Senior Manager, under the Senior Managers and Certification Regime (SM&CR) on the firm's preparatory steps for the scheme, confirming the firm has robust processes, systems and controls in place to successfully identify the starting population of potentially affected consumers, to identify firm records and to plug any information gaps.
- If a firm lacks the necessary records to identify whether there was a relevant arrangement, it must request relevant information from the credit broker. Upon receiving such a request, the credit broker must conduct a thorough search and respond within 1 month, either by providing the information requested or confirming it does not hold the information. If the broker fails to respond within 1 month, the firm must issue a follow-up letter, allowing an additional 14 days for a response.

We recognise firms' concerns that there is likely to be some level of effort required to identify some, particularly older, relevant arrangements.

We think based on our extensive data and stakeholder engagement that most firms should be able to identify relatively easily from their records the amount of commission paid and whether the agreement involved a DCA. We recognise firms are more likely to face challenges identifying tied arrangements, as this information is likely to be in broker-lender agreements, which may only have been retained by brokers.

We have already extensively engaged with firms and brokers. On 7 October 2025 we wrote a Dear CEO letter to remind them of the need to prepare for the scheme and to start gathering records they may need.

If, having followed the steps set out above, the firm has not identified the presence of any relevant arrangements, the firm may conclude that no unfair relationship exists, and no redress is due. As set out in Chapter 7, firms are then only required to send consumers who have already complained a provisional redress decision which should provide a clear explanation that no redress is due and give the consumer the chance to object to or accept this.

General and specific disclosure standards

- 10.14** We proposed that 'adequate disclosure' means that clear and prominent information about any relevant arrangement was provided to consumers before they agreed to the loan.
- 10.15** We said that disclosures should have been provided in a way that ensured the attention of the 'average consumer' would have been drawn to them.
- 10.16** Under our proposals the average consumer standard would apply unless there was evidence on file about the characteristics of the consumer at the time which indicated that such disclosure would not have been sufficient for that consumer to understand the information about the relevant arrangements.
- 10.17** Whenever a firm determines that adequate disclosure has occurred, we proposed that it should clearly document in the consumer's redress determination which, if any, personal characteristics were considered and how.
- 10.18** We proposed that, for the purposes of the unfair relationship assessment under the scheme, adequate disclosure for:
- A DCA required firms to disclose not just the fact that a commission is paid, but also the nature of the arrangement.
 - A high commission arrangement required firms to disclose both the fact and the amount of the commission – or information that enabled the consumer to easily work out the amount.
 - A tied arrangement required adequate disclosure of either exclusivity or right of first refusal or equivalent right of priority.
- 10.19** We asked:

Question 38: Do you agree with our proposal that, under the scheme, 'adequate disclosure' means that clear and prominent information about any relevant arrangement was provided to consumers before they agreed to the loan? If not, please explain why you do not agree and any other options we should consider

Question 39: Do you agree with our proposal that the average consumer standard should apply unless there is evidence on the file about the characteristics of the consumer which indicated that such disclosure would not have been sufficient for that customer? If you do not agree, please explain why and any other options we should consider

Question 40: Do you agree with our proposal that, whenever a lender determines that adequate disclosure has occurred, the lender should clearly document in the consumer's redress determination which, if any, personal characteristics were considered and how? If you do not agree, please explain why and any other options we should consider

Question 42: Do you agree with our proposal that for a DCA, adequate disclosure required disclosure of not just the fact that a commission is paid, but also the nature of the arrangement? If you do not agree, please explain why and any other options we should consider

Question 43: Do you agree with our proposal that for a high commission arrangement, adequate disclosure required disclosure of both the fact and the amount of the commission? If you do not agree, please explain why and any other options we should consider

Question 44: Do you agree with our proposal that for a tied arrangement, adequate disclosure required disclosure of either exclusivity or right of first refusal or equivalent right of priority? If you do not agree, please explain why and any other options we should consider

Feedback

Adequate disclosure

10.20 There was general agreement that adequate disclosure requires clear and prominent information.

10.21 However, some consumers and consumer organisations felt the definition of adequate disclosure was too vague and fell short of current requirements. Others wanted us to require that disclosure should appear on signed documents and monitor how firms judge adequacy.

10.22 Firms and their representatives who disagreed with our proposals on adequate disclosure thought we were applying current disclosure requirements retrospectively, with some arguing that the word 'prominent' only entered the rules in 2021. Suggestions from those who disagreed included:

- disclosure adequacy should reflect the size of the commission
- that it should differentiate between retail and commercial consumers
- that it should have time-specific standards

Average consumer standard

- 10.23** There was broad support for our proposals on the average consumer standard, with many agreeing that it provides an appropriate and consistent baseline. A small number of firms disagreed with it completely, calling it subjective and inappropriate for retrospective application.

Documenting personal characteristics

- 10.24** There was also broad support for the firm to document whether personal characteristics were considered. Some respondents wanted consumers to be invited to submit evidence of additional characteristics that may have been relevant. There were some concerns about categorising consumers as 'vulnerable' or 'average', and some firms wanted us to provide wording that they could use in such letters, noting that such definitions are difficult.

Discretionary commission arrangement disclosure

- 10.25** Respondents were generally supportive of the proposal that for a DCA adequate disclosure of the fact commission was paid was required. However, respondents were split about whether adequate disclosure must include the nature of the commission.
- 10.26** Consumers and consumer organisations who commented on their support for the proposal felt that adequate disclosure must allow the consumer to understand the dealer's financial incentive, the conflict of interest created, and the impact on the total cost of credit.
- 10.27** Disagreement tended to come from firms and their representatives who argued that requiring disclosure of the nature of the arrangement is retrospective and that there was no requirement to disclose the nature of the commission before 2021.
- 10.28** There were also disagreements from some firms and their representatives who thought that we had placed too much reliance on *Clydesdale*. One firm argued that where a primary broker has introduced the consumer, the consumer can already be assumed to know from the circumstances that commission is payable. This is very different context from *Clydesdale*.

High commission arrangement disclosure

- 10.29** Responses to the proposals for adequate disclosure for high commission arrangements were mixed. Leaving aside challenges to the definition of high commission, most feedback came from firms and their representatives who disagreed with the proposal. They felt that:
- We incorrectly assumed consumers would have acted differently had high commission been disclosed.
 - Adequate disclosure of the amount was not historically required.
 - *Johnson* required disclosure of the existence, not automatically the amount, unless circumstances made it material.

- 10.30** Consumers and consumer organisations who supported the proposal felt it was consistent with *Johnson* and agreed that consumers should be informed about the size of the commission to allow them to assess alternatives.

Tied arrangement disclosure

- 10.31** Almost half of respondents – comprising firms, brokers and their representatives – opposed our proposal, while consumers and consumer organisations were strongly supportive.
- 10.32** Consumers and consumer organisations argued that adequate disclosure must clearly state whether exclusivity, near-exclusivity, priority rights, or rights of first refusal (ROFR) exist, as these materially constrain the dealer's ability to search the market. They said that consumers should receive plain language explanations of how these rights restrict access to alternative lenders and may influence the broker's recommendation, with brokers making clear whether they genuinely search the market or whether their ability to do so is restricted by commercial agreements. The lack of adequate disclosure prevents consumers from understanding the constrained nature of the broker's offering and undermines informed decision-making.
- 10.33** Firms and their representatives said that adequate disclosure obligations should reflect regulatory expectations at the time of the transaction. Some argued there was no requirement to disclose a tied arrangement before April 2010. Others argued that CONC rules only require adequate disclosure of whether the broker worked exclusively with 1 or more firms to understand whether a ROFR was in place, not the nature of the commercial relationships that led to it.

Our response

We are maintaining the positions consulted on, but we are using this PS to highlight where we have decided to provide further guidance.

We have set out earlier in our rationale for intervening that we are approaching the assessment of liability consistently for all scheme cases from 6 April 2007 to 1 November 2024.

Relevance to the assessment of limitation

As an overarching point, it is important to note that the adequate disclosure standards discussed in this section applies to the assessment of whether a credit relationship was unfair under the scheme. Our views on the relevance of this information to the assessment of limitation are set out separately in Chapter 4. While there is a practical overlap between the two assessments in this context, they are not the same.

The purpose of the 'reasonable diligence' provision in section 32(1)(b) of the Limitation Act 1980 is to prevent stale claims, rather than to determine substantive questions of the adequacy of disclosure or unfairness. In particular, there may be situations where consumers could have been able to discover the concealment of a fact relevant to their claim for limitation purposes (because there was disclosure of the fact

or possibility of commission, in a case involving solely a high commission arrangement), they would not necessarily have been given sufficient information to prevent their credit relationship from being unfair.

Clear and prominent information

Having considered the feedback to Question 38, however, we have decided to introduce guidance with examples of where the disclosure is likely to have been presented clearly and prominently. It includes where:

- An oral communication (that is, in the form of spoken words) was used to draw the consumer's attention to information in written form.
- That information was presented as a key term or item of information at the top of a key document, or presented as such in a separate short summary document.
- The information was specifically drawn to the consumer's attention by bold text or similar visual means.
- The consumer was asked to specifically acknowledge that they had been given that information, for example, by signing a declaration to that effect.

If a firm is relying on an oral communication to demonstrate that the disclosure was presented clearly and prominently to the consumer, we would expect it to be supported by evidence on the consumer's file which demonstrates that the oral disclosure was given. In practice, we think there will be very limited cases where firms will be able to evidence clear and prominent disclosure through oral communication.

Examples of where we think adequate disclosure information is unlikely to have been presented clearly and prominently include where:

- Its importance was obscured by being surrounded by a significant volume of other terms or information with no particular attention drawn to it.
- Its prominence was diminished by using small font sizes.

Average consumer standard

We are maintaining the positions consulted on.

Where there were suggestions that the standard be adjusted to account for vulnerability, we consider that our rules already provide for this. Our position is that the average consumer standard will apply, unless there is evidence on the consumer's file about the characteristics of the consumer which indicated that such disclosure would not have been sufficient for that consumer to understand the information about the relevant arrangement(s). For example, language barriers or sensory impairments.

In cases where a firm finds there has been adequate disclosure and it has taken personal circumstances into account, we consider that the firm is best placed to understand its customers and explain in the outcome communication what it has taken into account.

Discretionary commission arrangements

We remain satisfied that the position consulted on in relation to DCAs is supported by *Clydesdale* and regulatory standards. Even if the consumer realised that a commission was payable, material information about the nature of the DCA still needs to be disclosed.

For the purposes of the scheme, we have decided that adequate disclosure required firms to disclose how the broker's commission was linked to the interest rate charged and that the broker had discretion to select the rate within a range set by the firm. This includes the nature of the arrangement, as well as the fact a commission is paid.

High commission arrangements

We have updated the definition of a high commission arrangement for the purposes of this scheme. This is set out in Chapter 5.

However, for the purpose of what constitutes adequate disclosure of a high commission arrangement, we are maintaining the position consulted on.

For a high commission arrangement, adequate disclosure required firms to disclose both the fact and the amount of the commission – or information that enabled the consumer to easily work out the amount, such as what the commission represents as a percentage of the loan. We remain of the view that this is consistent with *Johnson* where the Supreme Court found at paragraph 327: 'The fact that the undisclosed commission was so high [was] a powerful indication that the relationship between Mr Johnson and FirstRand was unfair. If he had been told the fact and the amount of the commission, Mr Johnson would have been able to ask why it was so high.'

Tied arrangements

We agree with consumers and consumer organisations that adequate disclosure should be in plain language and help the consumer to understand that the broker refers customers to the lender before any other lenders are considered.

We also agree with firms that it should not be necessary to describe the precise contractual arrangements to negate unfairness, but it is necessary to clearly convey their effect. No unfair relationship will be presumed if the disclosure was clear that the broker was working exclusively with a lender or would refer the consumer to a specific lender before approaching any other lender. Some respondents have interpreted the draft rules as having a stricter reading than this, requiring specific disclosure of the contractual obligation.

We are amending the final rules in CONRED 5.3 and 6.3 to be clear that it is sufficient that the consumer understands that the credit broker would introduce consumers exclusively to the lender or give the lender the option to provide an offer of credit to the consumer before the credit broker approached any other lender.

Use of presumptions

10.34 In CP25/27 we said that the following factors support the use of presumptions:

- Due to the passage of time, documentation relating to older agreements may not have been retained. Our review also suggests that, over the period covered, problems with properly explaining key features were common.
- If a consumer alleges an unfair relationship, it is for the firm to prove it is not unfair, recognising that the onus in court proceedings under section 140A (CCA) remains on the borrower to prove facts on which they positively rely to assert their case.
- It would make it possible to deal with potentially millions of cases without needing a detailed and potentially costly investigation into every single one.

10.35 We felt that the proposed approach struck the right balance in making sure consumers are not unfairly refused redress just because evidence is missing, while still allowing firms to show that no failure or loss occurred if they have clear and contemporaneous evidence.

10.36 In light of our view that there were widespread or regular failures by firms to adequately disclose relevant arrangements, leading to an unfair relationship that is likely to have caused loss or damage to consumers, we proposed the use of 2 key presumptions in favour of consumers, which firms can rebut:

10.37 We asked:

Question 34: Do you agree with our proposal to use rebuttable presumptions in favour of the consumer when establishing if an unfair relationship resulted from inadequate disclosure and whether it led to loss or damage for the consumer? If not, please explain why you do not agree and any other options we should consider

Question 35: Do you agree with the first rebuttable presumption we propose that failure to adequately disclose a relevant arrangement gave rise to an unfair relationship between the lender and the consumer? If not, please explain why you do not agree and any other options we should consider

Question 50: Do you agree with the second rebuttable presumption we propose that an unfair relationship caused by inadequate disclosure caused loss or damage to the consumer? If not, please explain why you do not agree and any other options we should consider

Feedback

- 10.38** Consumers and consumer organisations supported the proposal to use rebuttable presumptions that are in favour of consumers saying that they were essential for fairness and consistency when delivering a scheme of this scale.
- 10.39** Lenders who disagreed with the proposals set out in Questions 34 and 35 said that:
- inadequate disclosure did not automatically create an unfair relationship
 - the proposal fails to reflect the multi-factor assessment they said was required under section 140A CCA
 - the rebuttal grounds are too narrow
 - consumer loss cannot be presumed
 - it fails to reflect the regulatory requirements in place at the relevant time
- 10.40** Respondents expressed strong views on the second rebuttable presumption (causing loss or damage).
- 10.41** Consumers and consumer organisations argued that the presumption should be irrebuttable. They felt that introducing a rebuttal is contrary to the scheme's intended simplicity and risks introducing complexity and making it adversarial.
- 10.42** Firms and their representatives challenged our assumptions that high commission inherently creates consumer detriment. They felt that the presumption:
- reverses the burden of proof unfairly
 - forces firms to rebut allegations using incomplete historic records
 - results in windfalls where no detriment occurred

Our response

We are maintaining our position on the use of presumptions in general.

When summarising the feedback to these questions, we have generally focused on responses that related to the specific proposals and have avoided repeating broader comments that have been addressed elsewhere in the PS. However, changes that have been made to the positions on tied and high commission arrangements will be relevant to these proposals and some of the broader feedback received.

We remain satisfied that our positions are consistent with the evidence of adequate disclosure gathered including from our section 166 FSMA skilled person report, as has been determined in case law. In particular:

- In *Johnson*, the Supreme Court held that the size of the undisclosed commission, the failure to disclose the commission and the concealment of the tied arrangement between the dealer and the lender meant that the relationship was unfair.

- In *Clydesdale*, the judicial review of the Financial Ombudsman's decision in the Miss L case, the High Court dismissed challenges to the basis on which the Financial Ombudsman had decided to award compensation, including a decision that the failure to disclose the DCA had resulted in an unfair relationship.

We are satisfied that our final position is also consistent with the CCA where the burden shifts to the firm, meaning that it is for the firm to produce evidence that is strong enough to rebut the presumption of unfairness or loss or damage.

Presumption of inadequate disclosure for cases where evidence of what was disclosed to the consumer is missing

- 10.43** We proposed that firms should presume that disclosure of a relevant arrangement was inadequate unless the firm can provide evidence to the contrary, irrespective of the age of the agreement and whether it falls within the firm's record retention period.
- 10.44** This approach ensures that consumers are not disadvantaged by evidential gaps beyond their control and reflects our findings on historical inadequate disclosure practices, which we explained in CP25/27. It also provides clarity and consistency, which are essential for delivering redress at scale.
- 10.45** We asked:

Question 45: Do you agree with our proposal that, irrespective of the age of the agreement and whether it falls within the lender's record retention period, lenders should presume disclosure of a relevant arrangement was inadequate unless it can provide evidence to the contrary? If you do not agree, please explain why and any other options we should consider

Feedback

- 10.46** There was broad support among consumers and consumer organisations, and PRs for the presumption that disclosure was inadequate unless the firm can provide evidence to the contrary.
- 10.47** Firms and credit brokers mainly opposed the presumption that missing records should lead to a presumption of inadequate disclosure. Many consider this to be a retrospective application of standards, unfair where records are missing due to data retention policies and contrary to the burden of proof.

Our response

We are not making changes to the position set out in CP25/27.

We recognise the concerns raised, but we do not think there should be issues in identifying records for arrangements that ended within the 6-year period prior to when we made our retention rules in 2024. These required lenders and credit brokers to retain relevant records of any motor finance agreements that could be relevant to the handling of existing or future commission related complaints or civil claims. They applied to:

- agreements involving a DCA that ended on or after 11 January 2018
- agreements that did not involve a DCA that ended on or after 20 December 2018

To give an indication of the start date for agreements that could fall in the record retention rules, where an agreement had a term between 12 months to 60 months the start date would range from 2013 to 2017.

For arrangements that ended before 11 January 2018 or 20 December 2018, our case file reviews, the findings of which are set out in the [Diagnostic Report](#) that was published alongside CP25/27, shows that during this period there is clear evidence of inadequate disclosure – which supports this presumption.

There were some broader concerns raised under this question about the scheme period and law on limitation periods, which have been covered in Chapters 2 and 4.

Evidencing adequate disclosure

- 10.48** In the pre-consultation engagement, stakeholders supported pragmatic and proportionate solutions to deal with information gaps. Reflecting this feedback, in CP25/27 we proposed that to evidence that disclosure was adequate, firms must identify clear and contemporaneous evidence of adequate disclosure.
- 10.49** We also proposed rules requiring brokers to cooperate with firms who request evidence from them and respond to them in a timely manner.
- 10.50** Where firms rely on template disclosure documents, or documents relating to other customers, as evidence of what was disclosed to a customer, we outlined the steps that firms should take to assure themselves that the document was in use at the time of the transaction.

10.51 We asked:

Question 46: Do you agree with our proposal that lenders may rely on customer-specific documents, indicative records, and documents relating to similar customers as contemporaneous evidence of adequate disclosure? If you do not agree, please explain why and any other options we should consider

Question 47: Do you agree with our proposal that lenders should take reasonable steps to assure themselves documents used to evidence adequate disclosure were in use at the time of the transaction? If you do not agree, please explain why and any other options we should consider

Feedback

- 10.52** There was considerable overlap between the responses to Questions 46 and 47. Many respondents, including consumers and consumer organisations, PRs and brokers were generally supportive of the proposal that where customer specific documents are not available, firms can rely on indicative, template, or similar customer documents but under clearly defined conditions.
- 10.53** There was broad agreement from these groups of respondents on the proposal that firms should take reasonable steps to confirm that the documents they rely on as evidence of adequate disclosure were genuinely used at the time of the transaction.
- 10.54** Many firms raised concerns around the challenges of this and felt that 'reasonable steps' should reflect the practical reality of firms' record-keeping capabilities and the passage of time, and permit reliance on proportionate and available evidence (especially for smaller firms lacking centralised systems). Some firms proposed alternative forms of evidence such as broker and senior manager attestations, and generic templates from which inferences on their general use can be made.
- 10.55** Some consumers and consumer organisations said that consumers should be informed whenever a firm relies on indicative types of evidence (for example templates, standard practice, or similar customer evidence) and if consumers provide contrary evidence, firms must reassess the case and potentially review other affected cases.

Our response

We are not making changes to the position as consulted on.

Firms must identify clear and contemporaneous evidence of adequate disclosure and will need to take reasonable steps to verify that the records being used as evidence relate to the period of time that the consumer entered into the agreement.

We considered the alternative forms of evidence suggested by firms. These are not acceptable where they do not reliably show what was likely disclosed to the individual consumer. Firms may rely on customer specific documents, indicative records, or documents relating to similar consumers, but only where these are contemporaneous, verified as genuinely in use at the time, and capable of demonstrating the firm's actual disclosure practice. Evidence must be relevant, accessible and verifiable so that we can supervise firms' operation of the scheme and support any independent review.

Evidence firms use must demonstrate the nature and extent of the disclosure made to the individual consumer. They can be:

- Primary records:
 - directly linked to the consumer named on the agreement, such as signed acknowledgements or personalised correspondence
 - if disclosures were made verbally, rather than through documentation, we expect firms to evidence this with contemporaneous recordings or acknowledgements signed by the consumer confirming what they were told
- Secondary records:
 - standardised or template documents that were provided to consumers by the broker or firm in question as part of normal sales processes during the relevant period
 - documents relating to other consumers in a sufficiently similar position as the consumer in the scheme case, and which include information that demonstrates the standard disclosure practice of the firm or the credit broker at the relevant time

The types of reasonable steps firms should take to assure themselves that the documents used to evidence adequate disclosure were in use at the time of the transaction may include:

- Version control and date stamps that confirm that the version of the template document matches the period of the consumer's transaction.
- Internal policies and procedures, such as process manuals or training materials, that may specify the use of the template for all consumers during the relevant period.
- System logs or workflow records showing that the template was generated or sent to consumers as part of the sales process, for example automated system entries indicating the template was included in 'welcome packs' or sent by email.
- Emails or other audit trails showing the template was distributed to staff for use with consumers.

Firms will be expected to include in the provisional redress decision to the consumer a clear explanation of the information they have relied on in making the decision. This will allow consumers the opportunity to provide alternative evidence, should they have this, for the firm to consider. Firms will also be expected to clearly set out details of the information relied on in the redress determination.

Rebutting the presumption of an unfair relationship

Customer sophistication

- 10.56** We proposed that firms should be able to rebut the presumption of an unfair relationship due to inadequate disclosure if they can provide clear, contemporaneous, and customer-specific evidence that the customer was sophisticated and could reasonably be expected to have known about or foreseen the information about the relevant arrangements.
- 10.57** Under our proposals a customer could be considered sophisticated if, for example, they worked in a relevant role in the motor finance industry, had professional responsibilities that would have given them specific knowledge of the relevant commission arrangements, or had prior knowledge as a result of previous transactions with the lender or credit broker in which adequate disclosure was provided.
- 10.58** We asked:

Question 49: Do you agree with our proposal that lenders can rebut the presumption of an unfair relationship caused by inadequate disclosure because the customer was sophisticated enough to have been aware of the relevant arrangement despite its inadequate disclosure? If you do not agree, please explain why and any other options we should consider

Feedback

- 10.59** There was broad support for the principle behind this proposal.
- 10.60** Concerns were raised by some consumers and consumer organisations who felt it is inherently subjective and risks inconsistent application. They warned that it could be mis-used by firms and if this happened it would create barriers to consumers accessing redress.
- 10.61** Some firms and their representatives felt that the proposal was so narrow that it makes the rebuttal almost redundant. Suggestions for broader criteria included using high value purchases, loan thresholds, professional backgrounds, repeat customers or high-income individuals as indicators of sophistication.

Our response

We are maintaining the position consulted on. As we set out in CP25/27, we continue to believe this rebuttal should only apply where there is clear evidence that the customer was likely to have been aware of the specific information required to avoid an unfair relationship. Most consumers are unlikely to possess the specialist knowledge required to understand whether a DCA, high commission arrangement, or tied arrangement was present without adequate disclosure unless they meet the narrow criteria already captured by the rebuttal.

However, our updated approach to high value loans set out in Chapter 4 indirectly addresses many of the concerns about broadening the criteria for sophistication that were received in response to this question.

Cost recovery arguments

10.62 In CP25/27 we considered whether firms should be able to rebut the presumption of loss or damage on the basis that the commission paid to brokers covered the costs of arranging finance – and that, without such commission, the finance could not have been provided. We did not consider it a reasonable defence against an assertion of unfairness due to inadequate disclosure.

10.63 We asked:

Question 51: Do you agree with our proposal that cost recovery arguments are not a reasonable defence against an assertion of unfairness due to inadequate disclosure? If not, please explain why you do not agree and any other options we should consider

Feedback

10.64 There was broad support from consumers and consumer organisations, but firms and their representatives did not agree with the proposal.

10.65 Reasons for disagreeing included that:

- The proposal restricts legitimate rebuttal arguments.
- Broker/dealer costs are material and part of genuine operational costs rather than profit or inappropriate incentives.
- Section 140A CCA requires a holistic assessment and excluding cost recovery contradicts statutory interpretation.
- *Johnson* does not preclude considering most commissions justified or proportionate to broker costs.

Our response

We are maintaining the position consulted on.

We are not persuaded to depart from the reasoning given in CP25/27 which is that:

- Consumers need clear, prominent information about commission and commission arrangements to ensure fairness.
- While brokers have legitimate distribution costs, these do not outweigh the consumer's right to transparency and fair treatment.
- Costs should be recovered through transparent pricing, not through practices that obscure costs or prevent effective comparison of offers.

- Allowing rebuttals that commission is justified by distribution costs would also contradict the scheme's goals for clarity and consistency, leading to unverifiable, case-by-case debates over costs.

We consider this to be supported by legal precedent in *Johnson* and our own economic analysis.

We also note that, in designing the final scheme, we have taken account of broker distribution costs. The scheme does not treat commission as inherently unfair – rather, it is the inadequate disclosure of a certain level of commission or commission arrangement type that gives rise to unfairness (see the definitions of a relevant arrangement in Chapter 5). In addition, the adjustments to the total cost of credit (TCC) cap (Chapter 11) reflect our judgement that, even where there was inadequate disclosure, it is reasonable for consumers to have paid some credit cost without that, of itself, creating unfairness. These elements provide a proportionate way of recognising broker costs within the structure of the scheme, without undermining the importance of clear and prominent disclosure or introducing case by case debates about whether particular commission levels were justified.

New rebuttal for presumption of an unfair relationship: non-operative tied arrangements

- 10.66** In light of the feedback we received on this issue, we are making an amendment to the final scheme rules to accommodate the possibility that a tied arrangement did not impact on the broker's decision-making and so there is no unfairness from the failure to disclose its existence.
- 10.67** Feedback from firms on our definition of tied arrangements (responses to Question 16, summarised in Chapter 5) argued that in many cases, ROFR clauses in contracts were ignored by brokers and not enforced by lenders and so had no effect in practice on broker decision-making.
- 10.68** We accept that, if a tied arrangement didn't have any practical effect and a broker was regularly offering business first to other lenders, there is likely no unfairness arising from inadequate disclosure. Some firms shared evidence which showed that only small proportions of a broker's total referrals were made to them, despite the presence of a ROFR clause. We also met 5 brokers who confirmed that ROFRs may have been present in contractual terms but these were not always followed in practice (further details are in Chapter 7 of the updated Diagnostic Report).
- 10.69** We are making changes to our rules to provide that the presumption of unfairness arising out of the inadequate disclosure of a tied arrangement is rebuttable. The rebuttal gives firms the opportunity to evidence that inadequate disclosure of a tied arrangement was not unfair because it had no impact on the broker's decision-making when introducing the consumer to the lender.

- 10.70** Importantly, if a firm is able to successfully rebut the presumption of an unfair relationship due to a non-operative tied arrangement for a case featuring a high commission arrangement, it would still be liable to pay redress unless it successfully rebutted the presumption of loss or damage in relation to the high commission arrangement, as set out in the next section.
- 10.71** We appreciate that providing comprehensive and compelling evidence across the time period and across a potentially large number of different arrangements may be challenging. For example, one broker explained that they only retain customer records for 6 years from the point of credit broking. Firms describe significant complexity in matching broker/lender terms with separate data sets of customer agreements. Firms may have dealt with many thousands of different dealers across the period.
- 10.72** We do not, however, see any alternative to firms having to demonstrate through evidence that a tied arrangement was not enforced. There is no reason to presume that a contractual term had no effect. The obligation is on lenders to demonstrate, with supporting evidence from brokers, that the tied arrangement did not in fact impact on the broker's referral decision. Although we accept it may be a costly route for firms, we don't see any fair alternatives to providing evidence to demonstrate there was no inadequate disclosure.

The test and evidence for a non-operative tied arrangement

- 10.73** The rules set out that the presumption of unfairness arising out of the inadequate disclosure of a tied arrangement is rebuttable where, on the basis of evidence:
- It can be demonstrated that it is more likely than not that the constraints imposed by the tied arrangement in the scheme case did not impact on the broker's decision to introduce the consumer to the lender because, at the relevant time:
 - the lender had expressly, or by implication through the course of dealing between the parties, agreed to forgo any reliance on the tied arrangement; or
 - the broker had a policy or practice of disregarding the tied arrangement when introducing consumers to lenders.
- 10.74** The evidence must show that, at the relevant time, the broker was introducing consumers to lenders in a way that was incompatible with a scenario in which the tied arrangement affected the broker's decision-making.
- 10.75** The rules set out that relevant transactional data and supporting evidence are likely to be required to demonstrate this.
- 10.76** Transactional data means data for the same financial or calendar quarter which shows:
- The distribution amongst lenders of initial introductions made by the broker.
 - Or, if not available, the distribution amongst lenders of the number of credit agreements entered into.

10.77 Examples of relevant supporting evidence in the rules include:

- Contemporaneous records of:
 - internal policies and procedures which set out the credit broker's approach to introductions to lenders,
 - the firm's monitoring demonstrating it was not receiving the volume of introductions consistent with its reasonable expectations under the terms of the tied arrangement.
- Evidence that the broker had tied arrangements with other lenders at the same time.
- Attestations from the broker confirming that the tied arrangements did not impact on the decision-making of the credit broker when introducing the consumer to the lender.

10.78 Evidence will need to be considered in context and assessed on the balance of probabilities. The evidence needed will depend on how strongly each source shows whether the tied arrangement is unenforced.

10.79 Because firms will need to make a subjective judgement in applying the rebuttal, we will require them to verify their conclusion by obtaining a report from their internal audit function or an independent auditor appointed by the firm.

10.80 The report should contain an explanation of the evidence relied on and an attestation from the person providing the report confirming that they have:

- Reviewed and assessed the evidence relied on.
- Concluded it demonstrates that the conditions for relying on the rebuttal are met.

10.81 The report may apply to a group of scheme cases, provided the requirements of the rebuttal are satisfied for each scheme case to which the report relates. We are also adding a new requirement that firms report to us within 6 weeks of the scheme effective date:

- If they intend to use this rebuttal, outlining their approach to evidence gathering and assessment; and
- Forecast the number of agreements where they intend to apply this rebuttal.

10.82 The rules set out the evidence likely to be required to demonstrate that the test for a non-operative tie is met. However, it is not an exhaustive list and firms may have alternative credible evidence. As firms develop their approaches, we may issue further guidance on appropriate evidence and how evidence should be assessed.

10.83 Lenders are likely to need to obtain information from brokers to evidence the rebuttal. Brokers are required to cooperate with those requests and respond within set timelines. Where lenders experience delays due to broker inactivity that they are unable to resolve themselves, we expect lenders to notify us promptly. Brokers will be supervised in line with our approach set out in Chapter 13.

Rebutting the presumption of loss or damage

- 10.84** We consulted on allowing firms, in narrowly defined circumstances, to rebut the presumption that a consumer suffered loss as a result of inadequate disclosure because they would not have secured a better offer from any other lender the broker had arrangements with at the time of the transaction. We refer to this rebuttal as the 'no better deal' (NBD) rebuttal.
- 10.85** The proposed NBD rebuttal would only have been available in cases involving high commission arrangements or tied arrangements. In addition, we proposed that the rebuttal would only apply where the broker had arrangements with more than one lender.
- 10.86** Under the proposal, firms would have been required to evidence, on a case-by-case basis, that the consumer would have entered into the same agreement on materially the same terms notwithstanding adequate disclosure. We proposed setting a high evidential bar and generic arguments, assumptions about typical consumer behaviour, or reliance on market-wide averages would not have been sufficient.

Application to DCAs

- 10.87** While the presumption of loss or damage in the case of a DCA could, in theory, be rebutted if the firm was able to demonstrate that the broker selected the lowest interest rate within the permitted range, we considered it more appropriate to address this as a rebuttal of unfairness, since the failure to disclose the conflict has not resulted in unfairness as the broker has not taken advantage of it. Under the scheme, any case involving unfairness arising out of an inadequately disclosed DCA which has been assessed to be a relevant arrangement would therefore proceed to the redress calculation stage. The proposed presumption of loss or damage was, therefore, irrebuttable for a DCA and the rebuttal applied only to cases involving high commission arrangements and/or tied arrangements.
- 10.88** As explained in Chapter 5, we have changed our approach to scenarios where the broker did not take advantage of their discretion under a DCA. This scenario no longer provides the means to rebut an unfair relationship but instead provides an exception to the definition of a DCA as a relevant arrangement. The practical effect, however, is the same, as the presence of the DCA will not give rise to a presumption of unfairness.
- 10.89** We asked:

Question 53: Do you agree with our proposal that the presumption of loss or damage caused by an unfair relationship arising from inadequate disclosure of a high commission arrangement or a tied arrangement should be rebuttable if the lender can provide evidence that the consumer would not have secured a better offer from any other lender the broker had arrangements with at the time of the transaction? If not, please explain why you do not agree and any other options we should consider

Question 54: Do you agree with our proposal on the standard of evidence that we consider would be necessary to rebut the presumption of loss or damage caused by an unfair relationship arising from inadequate disclosure of a high commission arrangement or a tied arrangement? If not, please explain why you do not agree and any other options we should consider

Question 55: Do you agree with our proposal that, where the broker was tied exclusively to one lender, the presumption of loss or damage would remain irrebuttable? If not, please explain why you do not agree and any other options we should consider, particularly any alternative evidential approaches that could be developed for this scenario

Feedback

Proposal that the presumption of loss or damage should be rebuttable

- 10.90** Most consumers and consumer organisations disagreed with our proposal. They said that, in *Johnson*, the Supreme Court had expressly rejected the line of reasoning that a consumer suffered no loss because no better offer existed, so we should not endorse an argument already dismissed by the courts. Some respondents said that *Johnson* confirms that consumers do not need to show they would have abandoned a deal for there to have been unfairness where key information (eg commissions, ties, incentives) was not disclosed. In their view, the proposed rebuttal wrongly implies consumers must have had a cheaper option available to have suffered loss.
- 10.91** Some consumers and consumer organisations also highlighted that widespread inadequate disclosure meant that broker panels were often skewed by commission incentives. As a result, showing that no better offer existed on the panel does not, in their view, demonstrate that there was no loss but just reflects the distorted market. Alternative recommendations from these respondents included making the presumption of loss irrebuttable in high commission arrangement and tied arrangement cases and allowing rebuttal only in rare cases where the consumer clearly understood and accepted the commission structure.
- 10.92** Firms, trade bodies and their representatives generally viewed the rebuttal as important to avoid compensating consumers who genuinely received the best or a competitive offer. Several respondents suggested that, instead, the rebuttal presumption should be based on market-wide APR benchmarks, or a counterfactual APR model. They considered these models more proportionate, realistic, and consistent with how firms price credit. Some firms highlighted that the absence of data may make rebuttal impossible, as firms frequently lack historic panel compositions, comparative offers and records of adequate disclosures, and stressed that older files often contain only the executed deal, not any alternatives. Some respondents suggested that the rebuttal should be expanded to allow evidence that the deal was preferential in other respects rather than the lowest APR, for example, a preferred term or lower deposit.

- 10.93** Brokers supported the rebuttal in theory but emphasised that case-specific evidential requirements would make practical implementation complex. Specialist brokers often help consumers declined by lenders, meaning the eventual lender may have been the only viable option at the time the arrangement was made. Some brokers said that the current test relies too heavily on historic records that firms or brokers could not lawfully or practically retain; that rebuttal mechanisms which require reconstructing historic cases may be unworkable, especially with missing or incomplete data, and that there was a risk of unfair liability on firms if rebuttal processes are not able to function effectively.

Standard of evidence needed for the rebuttal

- 10.94** Consumers and consumer organisations were generally supportive of the very high evidential bar we proposed. Some argued that the proposed rebuttal is vulnerable to misuse, allowing firms to deny redress by relying on unverifiable or incomplete historic data. They noted that consumers would not be reasonably able to obtain historic comparator data and so would be unable to challenge any assertion by a firm that no better deal was available. Consumers and consumer organisations also emphasised the importance of transparency and firms having to explain their reason for using this rebuttal clearly to consumers.
- 10.95** Lenders and brokers strongly disagreed with the standard of evidence proposed. Some said it was effectively unachievable, highlighting that it would require firms to access information which was largely unavailable (especially for older agreements), such as other firms' commercial terms, historic risk and credit policies, and knowledge of broker panel composition at the time of sale. They called for proportionate, realistic evidential expectations and the ability to rely on a broader range of evidence such as contemporary rate cards/matrices, credit-tier APR ranges, panel policies and commercial practice. Other factors cited that would make the rebuttal unworkable in most cases included: brokers not retaining relevant data; confidentiality restrictions; brokers refusing to cooperate; some brokers threatening to charge fees for providing information, and deal files not containing comparative information. Some firms suggested using market-wide rates as acceptable comparators instead of broker-specific evidence.

Availability of the rebuttal where the broker was tied to one lender

- 10.96** There was strong support among consumers and consumer organisations for the presumption of loss or damage remaining irrebuttable where the broker was tied exclusively to one lender. Some respondents said that excepting cases from the rebuttal where the broker was tied to one lender or where there was a DCA limited its practical relevance. They, therefore, questioned whether it could apply to enough cases to justify the complexity, delay and cost that would arise from its use.
- 10.97** Lenders and brokers argued that there is no authority in law or evidence to support an irrebuttable presumption of loss or damage for tied arrangements, emphasising that *Johnson* did not find unfairness merely due to the existence of the tie itself, but due to the misrepresentation and high undisclosed commission. They argued that vendor finance, captive finance, and similar models reduce consumer costs, not increase

them – and that we have not provided evidence showing tied arrangements cause systematic detriment. Several respondents argued that tied relationships are often pro-competitive, improving efficiency and providing lower APRs.

- 10.98** Some brokers argued that the existence of a tie, on its own, is not proof of loss. They said that an irrebuttable presumption would function as strict liability, ignoring all variables (such as APR, subsidy, incentives and loan features), and that any redress without demonstrated loss would represent a windfall rather than redress.

Our response

We are maintaining the NBD rebuttal but with some important changes to enable firms to rely on a wider range of evidence. We are not broadening the rebuttal to exclusivity ties. These are more appropriately addressed through the exception we are making available for captive and white label lenders.

We consider it is fair to enable firms to demonstrate in a particular case the consumer didn't lose out from inadequate disclosure of a tied arrangement or high commission because no better deal was available from the lenders that the broker had arrangements with. This is not equivalent to allowing firms to show that the consumer nonetheless 'got a good deal' with reference to wider market prices despite the inadequate disclosure. It also does not imply that a cheaper option must have been available for the consumer to have suffered loss – the presumption is that loss has been suffered and redress is due.

We consider it is reasonable for firms to be able to rebut this presumption if the firm is able to evidence that the broker did not forgo other options that would have been better for the consumer because of a tied arrangement or a high commission arrangement. We confirm that 'no better deal' will only reference the range of APRs available from other lenders the broker had arrangements with at the time of the transaction. Subjective factors could only be taken into account if the customer had all the relevant information about the different offers – this is not the case where there is unfairness from inadequate disclosure of high commission or tied arrangements.

We recognise from CP25/27 feedback that requiring customer-specific evidence made the rebuttal difficult to evidence in practice. We are satisfied that a credible case can be made for there being no better deal available on the basis of broader evidence that isn't specific to the consumer. We are, therefore, allowing firms more flexibility on the types of evidence they may use to demonstrate that more likely than not, no better deal was available to the consumer from the firms the broker had arrangements with.

We are, however, putting appropriate limits on the rebuttal and require a high standard of evidence in order to rely on it. Firms will need to explain in their provisional redress decision, if there was an unfair relationship, why they consider there is no loss or damage.

We encourage firms to request individual guidance under SUP 9.2 on our view of their approach to the application of the NBD rebuttal to a particular cohort or scenario.

In addition, consistent with the reporting requirement for the non-operative tied arrangements rebuttal, firms will be required to report to us, as part of their scheme implementation plan submitted 6 weeks after the publication of this PS, whether they intend to apply the NBD rebuttal. This report should outline their proposed approach to evidence gathering and assessment and provide a forecast of the number of agreements where they expect the rebuttal may be relevant.

Purpose and scope of the NBD rebuttal

The NBD rebuttal is available only in cases involving high commission arrangements or certain tied arrangement cases.

It is not available in:

- DCA cases
- cases where the broker did not have arrangements with any other lenders offering credit suitable for consumers with similar characteristics and for similar credit products (which would except, for example, scenarios where the only other firm they had arrangements with served non-prime consumers)

We accept that the evidential requirements set out in CP25/27 could be difficult for firms to reconstruct. They could not be met in cases where the broker had pre-agreed rates with their panel of lenders and so customer-specific rates were not generated. We also accept that it is possible to evidence that a consumer more likely than not got the best deal available from the broker on the basis of their processes being set up to ensure that was the case.

We have amended the rebuttal so that the test is now:

- It is more likely than not that the consumer would not, in relation to the same transaction, have been able to obtain a lower APR from another lender the broker had arrangements with at the relevant time.

Firms must have contemporaneous evidence which demonstrates either:

- a. Alternative available APRs from other lenders the broker had arrangements with, or
- b. That the credit broker's internal processes involved carrying out checks which ensured that the consumer could not have obtained a lower APR from another lender the broker had arrangements with.

The rules set out examples of the types of records likely to be needed to demonstrate the points above:

- For alternative available APRs:
 - evidence which shows the APRs available to the consumer in the scheme case (for example screenshots of broker platform) or
 - APRs available to consumers in a sufficiently similar position, from other lenders that the broker had arrangements with at the

time, combined with transaction data to demonstrate that those APRs were provided by those lenders and from which reasonable assumptions can be made about the rates available to the consumer in the scheme case.

- For the credit broker's internal processes:
 - records of the broker's internal systems, controls, processes, policies, procedures or other documents which set out their approach to the introduction of consumers to lenders at the relevant time; and
 - a statement from the credit broker attesting that records used as evidence accurately reflect the credit broker's internal processes at the relevant time; and confirming those processes ensured the consumer could not have obtained a lower APR rate from another lender with which the credit broker had arrangements at the relevant time.

Materials which would not be sufficient to demonstrate that a consumer could not have obtained a better deal include market-wide or period-average APRs, materials that are undated or not contemporaneous with the transaction, and promotional or indicative marketing claims that were not generally available to consumers (for example, 'from 8% APR').

Implications for redress where the presumption is not rebutted

If evidence shows that cheaper rates were available from other lenders that the broker had arrangements with, redress should be still calculated using the relevant remedy under the scheme, as it is for all other cases. The difference between the cheaper rate identified and the consumer's actual rate, is not used to calculate redress.

Chapter 11

Scheme remedies

- 11.1** This chapter sets out the remedies available under our scheme where a firm has identified an unfair relationship which caused loss or damage to the consumer. It explains the structure of remedies in the scheme, how different remedies apply to different categories of cases, and the safeguards we have put in place to make sure outcomes are fair and proportionate.

Summary of policy decisions and how they support our scheme principles

- 11.2** Key changes and clarifications to the approach we consulted on include:

- Confirming a tiered remedies framework that distinguishes between:
 - cases that closely align with the facts in *Johnson*
 - all other cases before 1 April 2014 under Scheme 1 and on or after 1 April 2014 under Scheme 2
- Modestly expanding the circumstances in which full repayment of commission plus interest applies to include cases that involve a very high commission arrangement and either a tied arrangement or a DCA, or both.
- Introducing a differentiated APR adjustment in the loss-based component of the hybrid remedy depending on the date an agreement was entered into (an APR adjustment of 21% for Scheme 1 and 17% for Scheme 2).
- Introducing caps on redress under the hybrid remedy to ensure remedies restore fairness without placing consumers in a better position than they would otherwise have been, including nil redress for consumers who paid a minimal cost of credit offered to only 5% of the market at the time (excluding 0% APR deals).
- Confirming the use of compensatory interest, including the removal of rounding to use a rate linked with the true annual average base rate, and the application of a minimum interest rate floor of 3% in each year. We have also removed the rebuttal that would have allowed consumers to provide evidence to show consequential loss warranted a higher compensatory interest rate to minimise burden on both consumers and firms.

Legal framework and the key principles of our approach

- 11.3** In designing any consumer redress scheme, we will, in accordance with sections 404A(4) and (5) FSMA, make provision for redress which we consider to be 'just', having regard to the nature and extent of the failure giving rise to the scheme and to the losses or other adverse effects suffered by consumers.

- 11.4** The statutory reference to redress which we consider to be 'just' does not require us to replicate the outcome of individual litigation or seek to assess loss in individual cases, nor does it require us to deliver full repayment of commission, as was awarded in *Johnson*, in every case. Rather, we have to exercise regulatory judgement to design a remedy that is fair, proportionate and appropriate in the round. We are able to take into account factors such as the need to implement a scheme that is workable at scale and sufficiently attractive to consumers, having regard to remedies that could be available in court. For these reasons, we consider that a scheme-based remedy can legitimately involve the use of standardised methodologies, thresholds, caps or adjustments to deliver a 'just' remedy across millions of cases. In this context, we have also taken into account the very wide remedial powers that section 140B CCA gives courts in relation to unfair relationships, which are not confined to loss-based remedies but aim to restore fairness.
- 11.5** Our approach has also been guided by the principles outlined in Chapter 4 and in CP25/27, which include achieving fairness and being proportionate, while avoiding windfalls, and securing timely and efficient redress. In doing this, for cases that do not align closely with the facts in *Johnson*, we have sought to avoid the following outcomes:
- Redress equal to the full commission repayment remedy, preserving tiered remedies to ensure that only cases that closely align with the facts in *Johnson* receive this remedy.
 - Redress that puts consumers in a better position than they otherwise would have been in, recognising that redress should restore fairness and consumers should have expected to pay a minimal cost of credit even with adequate disclosure of a relevant arrangement.
- 11.6** To ensure clear differentiation between cases that closely align with the facts in *Johnson* and the wider population of cases with unfair relationships, we define cases that align with the facts in *Johnson* as those involving a very high commission (at least 50% of the total cost of credit and 22.5% of the loan amount, reflecting the level observed in *Johnson*) together with either a tied arrangement or a DCA, or both. In line with the Supreme Court's judgment in *Johnson*, we consider it appropriate and proportionate for these cases to receive a full refund of the commission paid on the agreement plus compensatory interest.
- 11.7** For all other cases involving an unfair relationship, redress outcomes are determined by the hybrid remedy, which is the average of redress under the loss-based APR adjustment and the commission repayment remedy. Agreements entered into on or after 1 April 2014 will use an APR adjustment of 17%. For agreements entered into before 1 April 2014, a higher APR adjustment of 21% is used to reflect our regulatory assessment that consumer harm was higher in the earlier period, including because more harmful commission models and higher APRs were more prevalent in earlier years.

- 11.8** To ensure outcomes for consumers remain anchored to restoring fairness, the hybrid remedy will be capped at the lower of:
- 90% of commission plus interest to avoid providing redress at levels comparable to the full commission repayment remedy reserved for cases that closely align with the facts in *Johnson*.
 - The realised total cost of credit (ie what the consumer actually paid for credit across the loan period) adjusted to account for a minimal cost of credit. This avoids consumers receiving redress that puts them in a better position than they would have been in the counterfactual, where they would reasonably be expected to have paid some interest outside of a zero APR agreement (which, as set out in Chapter 5, is already excepted from being a relevant arrangement).
 - The unadjusted realised total cost of credit, calculated on a simple basis. This may be the lower figure where the adjusted cap produces a higher value, as firms do not have the data needed to calculate it accurately (eg because they are missing early settlement data). This cap avoids consumers receiving more redress than the amount they paid.
- 11.9** Firms may also make early settlement offers at any of the 3 caps for a consumer receiving redress under the hybrid remedy. This provides operational benefits to the firm and does not disadvantage the consumer, as what they receive under the full calculation will always be less than or equal to each of the caps. We explain the calculation of the caps and the rationale underpinning them in more detail below.

Remedy framework

- 11.10** In CP25/27, we consulted on a hybrid remedy that combines an APR adjustment component and the commission repayment remedy to ensure consumers would receive a proportion of the interest they paid for the loan and some of the commission paid in their cases. We explained that the hybrid remedy was designed to compensate consumers for financial loss and unfairness from inadequate disclosure of a relevant arrangement, while also reflecting the range of remedies courts could award and the uncertainty of remedies for unfair relationship cases that do not closely align with *Johnson*. Under the proposal in CP25/27, the majority of cases within the scheme would receive the hybrid remedy.

Cases that receive the commission repayment remedy

- 11.11** We proposed an exception to the hybrid remedy for the small proportion of cases that are very similar to *Johnson*. These cases would receive the commission repayment remedy.

11.12 We proposed defining such cases as those where an unfair relationship has been determined and which have both of the following features:

- Commission equal to or greater than 50% of the total cost of credit and 22.5% of the loan amount. This applies a 10% buffer below the amounts in *Johnson* to reduce the risk of excluding cases that are substantively similar but fall just below the level of commission in *Johnson* and overextending the remedy to materially different cases.
- A tied arrangement.

11.13 We asked:

Question 60: Do you agree with our proposal that cases with commission equal to or greater than 50% of the total cost of credit and 22.5% of the loan amount and a tied arrangement, where there was an unfair relationship arising from inadequate disclosure of these arrangements, should receive the commission repayment remedy rather than the hybrid remedy? If not, please explain why you do not agree and any other options we should consider

Feedback

11.14 Responses to this question revealed clear differences in views between consumers and consumer organisations, and firms and their trade bodies.

11.15 Consumers and consumer organisations generally supported the availability of a commission-based remedy but raised concerns that only a very small minority of affected consumers would qualify. Many respondents called for us to adopt either a broader or more graduated approach. Many called for the commission repayment remedy to apply to all cases, or at least all cases involving more than one relevant arrangement, while others argued the 'very high commission' thresholds we proposed were too high. Several respondents emphasised that DCAs involve severe unfairness and argued that DCA cases should automatically receive the highest level of redress, which could require adopting the remedy applied by the Financial Ombudsman in the *Miss L* and *Miss Y* 'lead decisions' on DCA disclosure. Alternative proposals included a smoothed or tiered remedy structure to adjust the proportion of commission repayment according to how closely a case aligned with *Johnson*. Other respondents urged us to adopt a larger buffer below the specific charge for credit/loan value thresholds in *Johnson* to reduce the risk of consumers with facts of their cases otherwise similar to *Johnson* being excluded from the commission repayment remedy and to reinforce confidence in the scheme.

11.16 Respondents disagreed on the appropriate scope of commission repayment, with some consumer-focused respondents supporting the availability of the commission repayment remedy, as opposed to the hybrid remedy, in scenarios involving high commission or multiple factors of unfairness, while most lenders and brokers argued commission does not equate to consumer harm and should not be refunded except in very specific circumstances.

- 11.17** Firms and their trade bodies were divided. Some accepted that cases closely resembling *Johnson* might justify a commission repayment remedy, though several argued the criteria should be more strictly aligned with the facts of the case in *Johnson*, while others said all remedies should remain strictly loss-based. Firms also argued that high commissions do not necessarily equate to consumer loss and emphasised the need to recognise the value of brokers' services. Some respondents suggested that strict thresholds were arbitrary and risked overcompensation, particularly for those borrowing from captive lenders who often offered subsidised rates. Others expressed concerns that agreements with low APRs or shorter terms were more likely to be hit by thresholds based in part on the cost of credit. Several respondents stressed the need for remedies to accommodate primary brokers, noting the Supreme Court provided no direct guidance on arrangements where a broker did not benefit from the vehicle sale.

Cases that receive the hybrid remedy

- 11.18** The hybrid remedy is designed to compensate consumers for financial loss from inadequate disclosure of a relevant arrangement, while also reflecting the broader range of remedies courts could award under section 140B CCA and the uncertainty of the redress which courts may award in unfair relationship cases if the facts do not closely align with *Johnson*.

- 11.19** We asked:

Question 58: Do you agree with our proposal that, except for cases very similar to *Johnson*, all cases where there was an unfair relationship arising from inadequate disclosure of a relevant arrangement should receive a hybrid remedy that averages the outcomes of the proposed APR adjustment remedy and the commission repayment remedy? If not, please explain why you do not agree and any other options we should consider

Feedback

- 11.20** Consumers and consumer organisations said the commission repayment remedy should be used for cases with high commission and for tied brokerage arrangement cases. They also said the hybrid remedy was only suitable where either a DCA or high commission is the only unfair factor and raised concerns that the APR adjustment formula would lead to under-compensation, benefitting lenders and brokers while being particularly harmful for consumers who are less financially or legally capable.
- 11.21** Many firms and their trade bodies said the hybrid model was not rooted specifically in consumer loss and argued that it may be mathematically and legally unsound. They also argued that the hybrid remedy is incoherent, as it applies an average of two different methodologies. Firms argued that a loss-based remedy is needed under section 404 FSMA and raised concerns that the hybrid remedy risks windfalls, highlighting that commission repayment is only legally justified in cases that were effectively similar to *Johnson*.

- 11.22** Law firms representing industry firms challenged our interpretation of *Johnson*, suggesting that the judgment was fact-specific, and arguing that it does not justify universal use of commission repayment or hybrid weighting.
- 11.23** CMCs and related law firms said a blanket hybrid remedy was arbitrary, lacks legal or empirical basis, was only appropriate for single-harm cases, dilutes legal principles, and leads to outcomes which only provide about 70% of restitution levels. Some of these respondents also said the commission repayment remedy should apply to very high commission cases, tied arrangements, and multi-factor cases, with consumers receiving at least the commission amount or the actual increase in the cost of finance as redress.
- 11.24** Some firms said the 50% weighting for the DCA presence in the hybrid remedy was unsubstantiated and the hybrid remedy was unjustified in cases with flat-fee commissions or lower value non-prime loans, where consumer losses were lower.
- 11.25** Some brokers said all cases with an undisclosed relevant arrangement should not receive the hybrid remedy and the APR adjustment should not be used where it is higher than the hybrid outcome. The use of the hybrid remedy was suggested alongside proper thresholds for establishing an unfair relationship. Some brokers also expressed concerns that the hybrid remedy would add complexity, creating false precision in calculations by using a complicated APR adjustment model with monthly calculations and averaging with a commission-based calculation, and increase cases to the Financial Ombudsman to validate calculations.

The APR adjustment

- 11.26** The APR adjustment component of the hybrid remedy reflects our duty to take into account the loss that can arise when important details about commission are not made clear to the consumer. We considered a proportionate APR reduction to be fair across different APR levels and have regard to how courts could approach remedy in similar cases (that is, relying on the best evidence available and estimates and assumptions), as well as reflecting the need to implement an operationally simple scheme at scale.
- 11.27** The APR adjustment reflects market-wide analysis and is not tailored to the different risk profiles of firm segments, precise estimates for individual consumer agreements, or different types of DCA models. It uses matched regression analysis to compare different types of DCA and flat-fee loans, and controls for observable characteristics including credit risk, loan size, vehicle condition, loan term, deposit amount, and origination channel.

11.28 We asked:

Question 56: Do you agree with our proposal for a loss-based APR adjustment remedy for all unfair relationships arising from inadequate disclosure of a relevant arrangement that applies a reduction of 17% to the APR the consumer actually paid to produce a market-adjusted APR to use as the basis for the calculation of redress? If not, please explain why you do not agree and any other options we should consider

Feedback

- 11.29** Feedback on this proposal was mixed, with some consumers, consumer organisations, and law firms expressing support, and a large proportion of lenders and brokers expressing dissatisfaction.
- 11.30** The primary objection from lenders, their trade bodies, and brokers was that the 17% figure was not supported by transparent or representative analysis. Most respondents, including those supportive, in principle, of the proposal, said the data underlying the 17% adjustment was drawn from a narrow period which did not reflect the broader 2007 to 2024 scheme period and the market conditions, business models, market behaviour or levels of harm during this period. Many firms said estimates derived from 2019–2021 data should not be applied to earlier years as they were characterised by different commercial practices and respondents from all sides indicated that harm was greater in earlier years.
- 11.31** Consumers, consumer organisations and firms said applying a single APR adjustment across the entire population risked systematically under-compensating some consumers, but particularly those in earlier years, where harm may have been greater, or those with higher APRs, while potentially over-compensating others. Some firms and law firms highlighted that harm could vary significantly between new and used vehicles, types of firms, and prime, near-prime, and sub-prime segments, and a universal approach risks distorting competitive dynamics, particularly for non-prime or captive lenders. Some respondents also noted that a single adjustment could exceed the interest paid for agreements that had low commission, promotional rates, or were settled early.
- 11.32** There were widespread concerns about the breadth of data and the methodology, with consumer law firms and consumer groups questioning the representativeness of the sample used to derive the APR adjustment and criticising gaps in key features such as lender identifiers, commission structures or early settlement data, which they said made the analysis irreproducible. Other respondents highlighted the difficulty in reliably identifying DCAs, with many lenders and brokers arguing that a narrow dataset could not credibly be extended across a diverse market and therefore undermines confidence in the methodology. Some respondents disagreed with the hybrid remedy's combination of an APR adjustment and commission repayment, arguing these two methods are incompatible, create inconsistencies, and add unnecessary complexity.

- 11.33** Many respondents highlighted that the evidence for the APR adjustment was drawn primarily from discretionary commission models, but the adjustment will be applied across non-DCA, tied, fixed-fee or risk-priced arrangements, noting that these other models operate differently and do not exhibit the same harms. They also said applying an APR adjustment of 17% to all cases was disproportionate and likely to lead to inaccurate outcomes where some consumers receive windfalls while others with lower credit or high-value vehicles are under-compensated.
- 11.34** Some firms said the proposal risked treating inadequate disclosure as automatically establishing an unfair relationship and suggested applying additional filters to ensure redress targets genuine detriment, particularly for tied arrangements, where they believed harm was less evident.
- 11.35** Respondents proposed a range of alternative approaches with lenders and brokers placing greater weight on purely loss-based remedies and restricting commission refunds to cases similar to *Johnson*, benchmarks to produce more targeted redress, and counterfactual APR models based on risk-adjusted pricing or lender-specific data. Law firms representing consumers advocated for a tiered redress model to reflect origination year, or commission model with an added fixed amount or APR increase to reflect economic loss.
- 11.36** A summary of technical feedback on the data, modelling, and methodology is included in Chapter 4 of [Technical Annex 1](#).

Market-adjusted APR floor

- 11.37** In the APR adjustment remedy in CP25/27, the 17% adjustment is deducted from the APR the consumer paid to produce a 'market-adjusted APR' to use as the basis for the calculation of redress. We proposed that, if the market-adjusted APR is lower than the lowest APR at which the broker would have received additional commission under the DCA, that APR should be used as the market-adjusted APR.
- 11.38** We asked:

Question 57: Do you agree with our proposal that, if deducting 17% from the APR produces a market-adjusted APR lower than the lowest APR at which the broker would have received additional commission under the DCA, that APR should be used as the market-adjusted APR? If not, please explain why you do not agree and any other options we should consider

Feedback

- 11.39** Most feedback for this question was about the APR adjustment figure rather than the market-adjusted APR floor.
- 11.40** Some law firms representing consumers proposed that the market-adjusted APR floor should be based on the lowest APR available across all firms, not the lowest rate within a specific firm's range. Another law firm called for brokers to be mandated to disclose all available APRs for comparable credit profiles to enable proper benchmarking.

- 11.41** Some firms and consumer organisations supported a minimum market-adjusted APR safeguard but emphasised that it would only be viable if their underlying methodological concerns about the APR adjustment were resolved.

APR adjustment remedy as a minimum floor

- 11.42** We said in CP25/27 that, in most cases, averaging the APR adjustment remedy and the commission repayment remedy under the hybrid remedy results in redress that is higher than under the APR adjustment remedy alone. However, in a minority of cases, a consumer could receive higher redress if it was calculated only on the APR adjustment basis.
- 11.43** We proposed that the APR adjustment remedy should act as a minimum floor to redress. By this we meant that, where the hybrid or commission repayment remedy would result in lower redress than redress calculated under the APR adjustment remedy alone, the consumer would receive the higher APR adjustment remedy.
- 11.44** In this respect, we said that we did not consider that any consumer should receive less than the APR adjustment remedy, which constitutes a lower bound estimate of consumer loss (noting that it captured the difference in APRs that might have been paid in a transparent market, but did not account for other forms of detriment or inconvenience).
- 11.45** We asked:
- Question 61:** Do you agree with our proposal that the APR adjustment remedy should act as a minimum floor where either the hybrid or the commission repayment remedy would provide less redress than the APR adjustment remedy? If not, please explain why you do not agree and any other options we should consider

Feedback

- 11.46** Responses to this question were split, with consumers and consumer organisations, and firms taking opposing views.
- 11.47** Consumers and consumer organisations supported a floor in principle, although for many who argued the sole remedy should be the commission repayment remedy, this was only in the event we chose to retain our proposed hybrid remedy. They suggested the floor was a particularly important safeguard for high-APR borrowers, who they argued were otherwise at risk of under-compensation. Many also emphasised that their confidence in the APR floor would depend on strengthening the evidential basis of the APR adjustment methodology. Others suggested consumers should always receive the highest available remedy.

- 11.48** In contrast, firms and their trade bodies were strongly opposed to the APR adjustment floor. They argued that an APR-based minimum safeguard would add operational complexity, requiring case-by-case comparisons across remedies, and could generate windfalls in low-commission cases.
- 11.49** A number of firms highlighted cases where remedies would, as a result of the APR adjustment floor, significantly exceed the commission repayment remedy. They argued it is inappropriate for remedies to exceed the level provided in *Johnson*, given this is the remedy which the Supreme Court awarded in a particularly serious case. Some firms also noted that such cases made up a significant proportion of their agreements and a few also cautioned that high APRs often reflected borrower risk, meaning that a floor could lead to overcompensation and impose disproportionate costs on firms serving certain groups of customers. Others highlighted that courts do not adopt minimum-floor mechanisms and stressed that any redress under section 404 FSMA must remain strictly compensatory. Some suggested removing the floor for high-commission cases and limiting redress to the lower of the APR adjustment or commission repayment.

Our response

Overview of our revised remedy framework

We have decided to maintain the approach we consulted on for cases that closely align with the fact pattern observed in *Johnson* (ie very high commission and a tied arrangement), which will receive the commission repayment remedy (ie the full commission paid plus interest). Other cases that we consider to also closely align with the fact pattern in *Johnson* (ie multi-factor cases involving very high commission and a DCA) will also receive the commission repayment remedy.

The result is that we are modestly expanding the circumstances in which full repayment of the commission plus interest applies. We consider this approach to be more coherent and fairer overall.

We are also maintaining the approach we consulted for all other cases, which will receive the hybrid remedy.

As set out in Chapter 2, we will be setting up two separate schemes. Scheme 1 covers agreements entered into between 6 April 2007 and 31 March 2014 and Scheme 2 covers agreements entered into between 1 April 2014 and 1 November 2024.

Having considered a range of factors, including consultation feedback, we concluded that consumer harm was likely higher in the earlier years covered by Scheme 1. In this context, we have decided that redress under the hybrid remedy will use a different APR adjustment depending on whether an agreement was entered into before or after 1 April 2014:

- For agreements entered into or on or after 1 April 2014 and before 1 November 2024, consumers will receive redress under the hybrid remedy: the average of estimated loss using an APR adjustment of 17% and the commission paid plus interest.

- For agreements entered into before 1 April 2014, consumers will receive redress under the hybrid remedy using a higher APR adjustment of 21% to reflect greater harm in earlier years. This reflects a bounded regulatory judgement to assess what constitutes a just redress outcome under the scheme, taking the mid-point of the lower bound of 17% and upper bound of 26%. The upper bound is where total hybrid remedy redress amounts, on average, to total commission repayment remedy redress in Scheme 1, capped at the total cost of credit for all cases except those similar to the facts in *Johnson*.

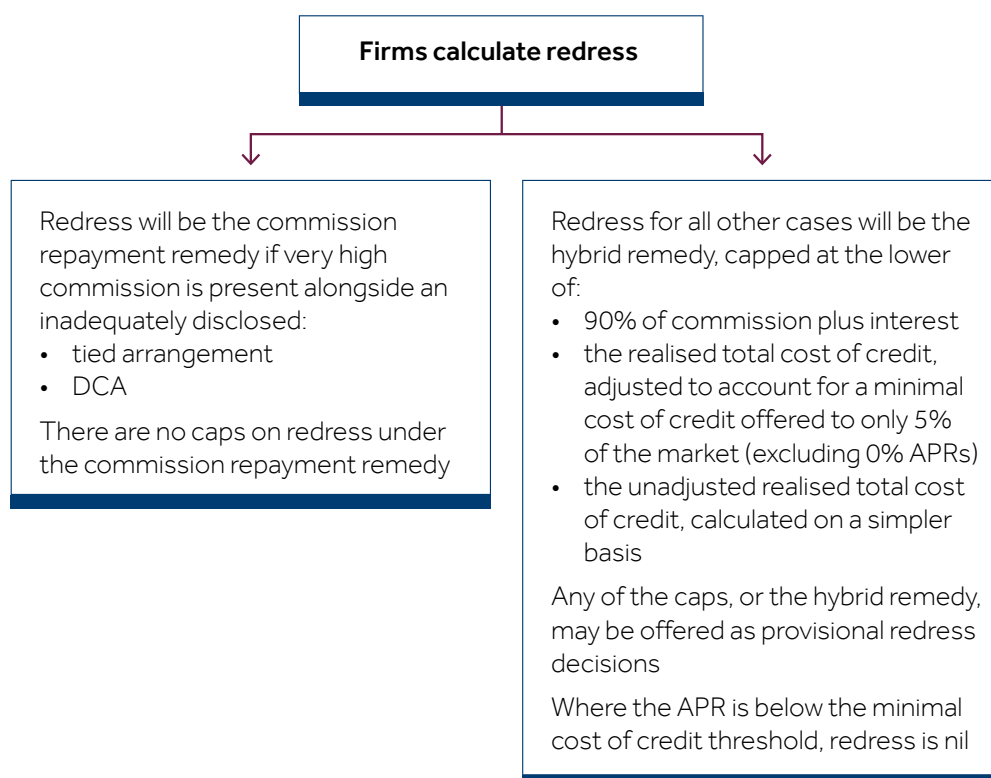
We are also capping the redress available under the hybrid remedy in both schemes at the lower of:

- 90% of the commission plus interest, reserving the full commission repayment remedy for cases with facts similar to *Johnson*.
- The realised total cost of credit, adjusted to account for a minimal cost of credit offered to only 5% of the market at the time (excluding 0% APR deals), recognising that consumers would have paid something for credit absent any unfairness.
- The unadjusted realised total cost of credit, calculated on a simpler basis. This may be the lower figure where the adjusted cap results in redress which exceeds what the consumer actually paid for credit (eg because firms are missing the payment schedule data needed to accurately calculate the adjusted cap).

As these caps act as a ceiling on redress, redress under the full calculation will always be less than or equal to each of the caps. Therefore, any of the caps, or the hybrid remedy, may be used as settlement offers, which will now be issued as provisional redress decisions. This avoids firms having to calculate all of the caps where they believe doing so would be operationally burdensome. It also leaves consumers no worse off as it would not be possible for them to receive more redress under the scheme (only cases that closely align with the facts in *Johnson* will receive the higher commission repayment remedy). We set out in our response, below, how these caps should be calculated and why we believe they help to ensure that consumers will receive redress which is just, proportionate and fair.

Figure 11, below, shows an overview of our revised remedy framework.

Figure 11: Remedy overview – calculating redress



We set out our response to feedback and overall approach to redress below. The precise steps firms must take to calculate redress (including in cases where multiple agreements financed a single vehicle sales transaction) are set out in Chapter 12.

Cases that receive the commission repayment remedy

We consider that the Supreme Court's judgment in *Johnson* provides a key reference point for what may constitute a just remedy under section 140A CCA and has shaped the expectations of courts and consumers in future motor finance cases with unfair relationships. The Supreme Court expressly cited our submissions in favour of an authoritative ruling from the court on remedy as one of the reasons for choosing to decide the remedy itself: 'We note the submission on behalf of the FCA that the public interest in achieving finality and clarity in the law under section 140A in the motor finance context and that consistency in respect of the many thousands of pending complaints and claims would be aided by an authoritative ruling by this court.' (paragraph 337(3) of the Supreme Court's judgment in *Johnson*).

Some firms have reported the outcome of county court cases following the Supreme Court judgment. While only a few cases have been cited to us, they contain examples of cases being awarded a full refund of commission plus interest, which is in line with the Supreme Court's judgment.

We maintain the view that a distinct remedy for cases that closely align with the facts in *Johnson* is required to align with the Supreme Court's judgment, as if our scheme did not offer redress that is just, it would increase the risk that many consumers would decide not to participate and pursue litigation instead, in the belief that they will obtain a higher award in courts. In line with this, we plan to moderately expand the scope of the commission repayment remedy under the scheme to also include cases with very high commission and a DCA, whether or not a tie was also present. We estimate that this expansion will apply to approximately 0.28% of agreements that would receive redress under our scheme (as outlined in [Technical Annex 1, Chapter 7](#)).

Johnson exhibited multiple unfairness factors, involving both inadequately disclosed very high commission and a tied arrangement. This multi-factor pattern of harm, including a very high commission arrangement, forms the basis for our decision to expand the scope of the remedy. Since our review of the motor finance industry began, we have highlighted the inherent harm caused by inadequately disclosed DCAs, presented alongside findings we believe show evidence of this harm. We, therefore, consider it proportionate in cases where very high commission is present alongside a DCA to take the same approach to redress as cases where very high commission is present alongside a tied arrangement.

We set out in our response to question 59 in Chapter 12 why we are maintaining the definition of commission we consulted on.

Cases that receive the hybrid remedy

In a purely loss-based approach that only used the APR adjustment component of the hybrid remedy, most consumers would receive significantly less redress than under the commission repayment remedy and are likely to be under-compensated. The hybrid remedy addresses this by averaging redress from the loss-based APR adjustment and commission repayment remedy.

Taken as a whole, our remedy framework provides certainty to consumers and firms through a consistent and predictable approach to redress in cases where liability has been established due to the presence of an inadequately disclosed relevant arrangement. This provides clarity about the redress available under our scheme, in contrast to the uncertain outcomes, delay, and additional costs that may arise through litigation. Within our remedy framework, the hybrid remedy applies to the majority of cases where a purely loss-based approach would risk under-compensating consumers and where full repayment of commission plus interest would not be appropriate. We consider it appropriate to differentiate these cases from those that closely resemble *Johnson*, which involved particularly serious conduct and features that are not representative of the wider market.

Inadequate disclosure can distort a consumer's understanding of the price they were offered and the broker's financial incentives, leading to harm from paying a higher APR than they may have had in a counterfactual scenario and entering into an agreement without fair disclosure. When thinking about a 'just' remedy for the scheme, in our view, the redress offered should reflect all aspects of any unfair relationships through a loss-based and commission-repayment approach, as proposed in the hybrid remedy. This produces more proportionate and balanced redress than either the APR adjustment or the commission repayment remedy alone.

Section 404A(4) FSMA states that the scheme can only provide for redress to be of a kind that we consider to be just in relation to the type of case in question (here a failure to provide adequate disclosure of certain arrangements so as to give rise to an unfair relationship under the CCA). Though the power requires the FCA to have regard, among other things, to the nature and extent of the losses and damage in question, this does not mean that the remedy must be strictly based on the financial loss suffered by the consumer.

We therefore consider the hybrid remedy to provide just and proportionate redress for cases with inadequate disclosure of an unfair relationship that do not closely align with the facts in *Johnson*. In line with the key principles of the scheme, it provides consistent and efficient outcomes that can be applied at scale, and clarity and certainty for consumers and firms. Its universal approach enhances operational simplicity and effective implementation of the scheme, while comprehensively reflecting the broader range of remedies available through courts. We therefore do not propose to make any changes to the principle of a hybrid remedy, but we are making changes to how it operates in practice such as different APR adjustments to better reflect harm in different periods, and introducing caps on redress to avoid redress outcomes that put consumers in a better position than they would have been had disclosure been adequate, or from receiving redress outcomes reserved for cases that closely align with the facts in *Johnson*.

The APR adjustment

Overview of our approach

Our decision to structure the redress framework as 2 schemes (as outlined in Chapter 2) required consideration of whether a single APR adjustment was still appropriate for both schemes or whether separate APR adjustments would be more appropriate.

We concluded that applying the same APR adjustment to both schemes would not be appropriate or proportionate given the likely differences in levels of harm across both periods, as outlined below and reflected in consultation feedback.

The remedy for Scheme 2 (agreements entered into on or after 1 April 2014) is based on updated analysis and an expanded dataset, including data from an additional firm and covering 2017 to 2021, which represents the most robust and complete evidence that we have.

For Scheme 1 (agreements entered into before 1 April 2014), where the evidence we have of greater harm in earlier years is more limited and therefore less reliable, the methodology uses a bounded regulatory judgement of possible redress outcomes to reflect the difference in market and regulatory dynamics during this period as compared to the later period. The remedies for both schemes are set out below.

The APR adjustment in Scheme 2

For agreements in Scheme 2, the hybrid remedy will use the average of estimated loss using an APR adjustment of 17% and the commission repayment remedy.

To address feedback about the time range of the sample data, modelling considerations, and potentially varying levels of harm over time, we enhanced the robustness of the model and underlying data in the APR adjustment analysis with improvements to the data cleaning processes, error and outlier handling, and sensitivity analysis. Building on these improvements, we extended the time range of the dataset by incorporating additional data from 2017, limited data from 2018, and a voluntary submission from a firm with significant market share who was not part of our original request for information. The enhanced model with the expanded dataset produced an APR adjustment of 17%. All changes to the model are set out in Chapter 4 of [Technical Annex 1](#).

Although the expanded dataset does not cover the full Scheme 2 period and the resulting estimate remains unchanged, the modelling improvements provide a more accurate estimate of harm and a more reliable reflection of market behaviour during this period than the previous estimate. We therefore consider it reasonable to use the APR adjustment from this model for all cases in Scheme 2.

Two independent academics reviewed the updated model (as outlined in [Technical Annex 1](#), Chapter 6). One academic concluded that the improvements to the data samples strengthened the overall analysis compared to the previous model, while the substantial 56% increase in sample size from incorporating additional data enhanced the generalisability of the results to the wider market. The second academic agreed that incorporating additional data improved the representativeness of the dataset, while the revised data cleaning process improved the reliability of the analysis.

Some respondents questioned the potential effect of the pandemic on market conditions during the period covered by our APR adjustment analysis, which compares DCA and non-DCA loans to estimate consumer harm. We have not received any evidence that the pandemic had a differential impact on DCA and non-DCA loans, and expanding our

dataset to include 2017 and 2018 data further mitigates any possible impact. We reviewed this point with input from an independent academic. As the pandemic was not widely anticipated, if at all, incorporating additional data from a period of more normal economic conditions, as experienced in 2017 and 2018, ensures the underlying data is not disproportionately impacted by widespread macroeconomic disruption and is more representative of market conditions over the period of analysis.

The APR adjustment in Scheme 1

After reviewing feedback on the appropriateness of applying the same APR adjustment of 17% over the entire 2007-2024 period covered by our schemes, we acknowledge that this approach could understate harm, and therefore under-compensate consumers, in earlier years. Greater regulatory oversight following the change in regulatory regime in 2014 may have led to changes in market behaviour, and we observed a decrease in the prevalence of more harmful commission models, which likely resulted in reduced harm in later years.

Examples of regulatory changes that are likely to have influenced market dynamics during the Scheme 2 period include:

- The introduction of the Consumer Credit Sourcebook (CONC) in 2014 and regulation of consumer credit, including motor finance, being transferred to the FCA. This represented a transition from a licence- and guidance-based approach with limited powers to an authorisation and rule-making approach with a broad suite of regulatory powers.
- A review of the motor finance sector being announced by the FCA in 2017, followed by publication of the findings in 2019 and confirmation of the DCA ban in 2020.

We also observed a steady decline over time in the use of more harmful commission models, which in turn is likely to have contributed to narrowing the APR gap between DCA and non-DCA agreements and lower levels of harm during the Scheme 2 period:

- The proportion of DCA agreements steadily declined over time, while the proportion of non-DCA agreements grew. 2007 saw around 8 DCA agreements for every 1 non-DCA agreement, gradually falling to ~7:1 in 2009, ~5:1 in 2011, ~2:1 in 2012, and ~1:1 in 2020. The decline inverted in 2021, where there were around 18 non-DCAs for every 1 DCA, increasing to ~57:1 by 2024. (Analysis conducted using DD1 data)
- The average APR gap between DCA and non-DCA agreements narrowed over time. Average non-DCA APRs were around 4 percentage points (ppt) lower than average DCA APRs in 2008, narrowing to ~3ppt in 2009-2011, before widening to ~5ppt in 2012-13 and steadily declining to ~4ppt in 2014-2015, ~3ppt in 2016-2017, and ~2ppt in 2018-2020. (Analysis conducted using DD1 data)

- The use of more harmful DCA models declined over time. We received statistically significant evidence in consultation feedback showing that loans using Difference-in-Charges (DiC) models consistently had higher APRs than non-DCA loans, with APR differentials of 2.3ppt between 2007-2022 and 1.6ppt between 2018-2022. Our section 166 data shows that Increasing DiC models, in particular, were more prevalent in earlier years, accounting for an average of 36% of all commission models between 2007-2013 and 11% between 2014-2020. Our analysis found that Reducing DiC models had high levels of harm between 2017-2021, while our results for Increasing DiC were not reliable due to the limited number of these agreements during the analysis period (see [Technical Annex 1](#), Chapter 4).

For cases in Scheme 1, redress will be based on the hybrid remedy and a higher APR adjustment of 21% to account for the view that there was greater harm in earlier years. This reflects a bounded regulatory judgement of the redress outcomes consumers could achieve under this scheme, using the mid-point between a lower bound of 17%, based on the APR adjustment of 17% used in Scheme 2, and an upper bound of 26%.

As we explain above, the commission repayment remedy is reserved for cases with features that closely align with *Johnson*, and under the scheme represents the upper bound of redress outcomes for consumers. This is broadly equivalent to an APR adjustment of around 26%, which is where total hybrid remedy redress amounts, on average, to total commission repayment remedy redress in Scheme 1, capped at the total cost of credit for all cases except those similar to the facts in *Johnson*.

We have decided that this proportionate, bounded regulatory judgement on an APR adjustment for Scheme 1, based on the mid-point of a lower bound of 17% and an upper bound of 26%, is preferable to seeking further empirical data from firms for the following reasons:

- Firms advised us, regarding data and document retention practices going back to 2007, that they had either no data, or limited availability of data, in at least one of the following areas: customer and agreement identification, agreement-level data, APR rates, lender or broker contracts, disclosure documents, and records of tied arrangements.
- In consultation feedback, firms also noted that many of them lack the necessary records to reconstruct cash flows (as outlined in Chapter 12).

Having considered whether to collect further data in respect of the earlier period covered by the scheme, we concluded that, given the data availability limitations outlined above, collecting such data would risk delaying compensation for consumers and certainty for firms with no guarantee it would be sufficiently available or reliable to materially improve any estimate of loss.

Fairness and proportionality of outcomes

The difference between an APR adjustment of 21% and the lower bound of 17% results in an increase to average redress of £31 per agreement, which we consider to be a fair reflection of potentially greater harm in the Scheme 1 period.

The revised remedy for Scheme 1 and Scheme 2 ensures that redress outcomes under the scheme preserve fairness by addressing feedback about greater harm in earlier years, while maintaining the operational simplicity of a standardised APR adjustment, remaining closely aligned with the remedy we consulted on, and avoiding systematic over- or under-compensation relative to what consumers could reasonably expect to achieve through courts.

Market-adjusted APR floor

As outlined above, in the revised remedy framework, Scheme 2 cases use an APR adjustment of 17%, while Scheme 1 cases use an APR adjustment of 21%.

The market-adjusted APR floor was designed to protect against potential over-compensation by avoiding APRs that would not have been achievable in practice under the DCA being used as the basis for calculating redress. The lowest APR at which a broker would have received additional commission reflects an observable constraint on pricing behaviour under DCA agreements and therefore provides an appropriate minimum level for the counterfactual APR that is consistent with real pricing incentives. Developing alternative market-adjusted APR floors for these cases would introduce additional complexity, undermining the simplicity of the remedy.

We consider the market-adjusted APR floor to be a necessary safeguard against disproportionately low counterfactual APRs and potential over-compensation. We maintain the view that this approach is fair, consistent, simple, and proportionate. We therefore do not propose to make any changes.

Caps on redress

In response to feedback and to ensure the proportionality of our approach, we are applying caps to the redress payable in all cases in respect of which the hybrid remedy applies. Cases which are closely aligned with the *Johnson* fact pattern will receive the commission repayment remedy under the scheme.

We consider that introducing caps contributes to redress which is just and fair. We explain the caps that we are introducing, and the rationale for each, in the following sections.

Introducing caps also provides clarity on the maximum redress available under the hybrid remedy. Each of the 3 caps acts as a ceiling on redress (ie what the consumer gets under the full calculation will always be less than or equal to the caps). As such, firms may choose to offer any of the caps, or the hybrid remedy itself, as a provisional redress decision without completing the other elements of the calculation (see the revised settlement offer process in our response to Question 23, below). This leaves consumers no worse off because it would not be possible for them to get more redress under the scheme (only cases that closely align with the facts in *Johnson* will receive the higher commission repayment remedy), while firms may benefit from reduced operational burden by choosing not to complete every element of the calculation.

Capping redress at 90% of commission plus interest

We are introducing a cap on the hybrid remedy at 90% of commission plus interest, reserving the full commission repayment remedy for those cases where the features most closely aligned with *Johnson*. Consequently, we are also removing the APR adjustment remedy as a minimum floor on redress for all scheme cases, which is incompatible with this cap and would lead to some cases with features not closely aligned to those in *Johnson* receiving a greater remedy.

When we consulted, our modelling of redress costs did not account for cases where the APR adjustment remedy would be higher than the commission repayment remedy or the commission repayment component of the hybrid remedy. However, having undertaken further analysis we know 17% of agreements which would be eligible for redress under our revised policy (without applying the caps we introduce below) would receive more under a remedy based solely on an APR adjustment than they would under the commission repayment remedy or commission repayment component of the hybrid remedy, and therefore benefit from an APR adjustment floor. Our analysis suggests these are typically agreements with low commissions, rather than high APRs.

We recognise the force in arguments that the commission repayment remedy should represent the high watermark of the remedy for an unfair relationship case given the particularly serious facts in cases with features closely aligned to those in *Johnson*. We do not consider a remedy which results in cases, typically with comparatively low commissions, receiving higher redress than the remedy which was awarded by the Supreme Court in *Johnson* would be just. We think it is appropriate to apply proportionate guardrails to avoid such outcomes within a redress scheme which, by necessity, applies a broad-brush methodology using proxies for loss.

We have therefore decided to cap redress at 90% of commission plus interest for all cases other than those being awarded the commission repayment remedy. We consider it important that full commission plus interest is reserved as a distinct outcome for those cases whose features most closely align with the circumstances considered by the

Supreme Court in *Johnson*. Allowing a wider range of cases to reach (or even exceed) this remedy would risk overcompensating consumers in cases which are not so closely aligned with *Johnson* as to warrant it. We consider this approach strikes an appropriate balance between fairness to consumers and the need for a coherent and defensible scheme design, without materially undermining consumer outcomes.

We have considered whether introducing such a cap could risk under-compensating consumers or undermine the scheme's principle of comprehensiveness by encouraging consumers to seek higher remedies in line with what the Supreme Court awarded in *Johnson* outside the scheme. However, the outcomes of court cases are uncertain. We have heard anecdotally of some judgments since *Johnson* awarding less than commission plus interest, while as set out above we have also seen examples of cases that have been awarded a full refund of commission plus interest. The scheme does not prevent consumers from pursuing litigation where they believe a better outcome is achievable, though the outcome of a court case is uncertain and may be subject to delays and consumers could end up with less, particularly after accounting for legal fees and other expenses.

Capping redress at the 'realised' total cost of credit, adjusted to account for a minimal cost of credit

Rationale for an adjusted TCC cap

A number of firms also, as set out above, raised concerns about perverse outcomes resulting from the role of commission repayment in cases beyond those which are very similar to *Johnson*. Under the hybrid remedy, the proposals we consulted on would have allowed consumers to receive at least 50% of any commission paid by the lender to the broker.

However, under this hybrid approach, a consumer could receive a remedy that exceeds the cost of credit they actually paid (we call this the 'realised' total charge for/cost of credit or realised TCC). This is particularly likely to be the case for agreements that are settled early (53% of agreements), where the consumer only pays interest in relation to the actual period of the loan to settlement, but the full amount of the commission is still paid by the lender to the broker.

We also recognise the concerns raised that consumers should reasonably be expected to have paid some minimal cost of credit for their agreement (and would have agreed to do so even with the adequate disclosure of a relevant arrangement), and that failing to take this into account could likewise put some consumers in a better position than they would have been in absent the unfairness caused by the inadequate disclosure of a relevant arrangement.

We are therefore amending the rules to cap the remedy for all hybrid remedy cases at the realised TCC, adjusted to take account of what the consumer would have paid had their agreement been taken out at the 5th percentile of non-zero APRs for the year it was entered into. This

respects the principle that redress should restore fairness, rather than place consumers in a better position than they would otherwise have been in (where, in the absence of unfairness, they would likely still have paid some minimal cost of credit).

The relevant APR thresholds are set out in Table 7 below.

Table 7: Specified APR thresholds reflecting a minimum cost of credit offered to only 5% of the market at the time

5th percentile of non-zero APRs, by year

2007	6.90	2016	2.90
2008	5.90	2017	3.20
2009	5.90	2018	2.92
2010	5.66	2019	3.90
2011	4.90	2020	3.90
2012	4.73	2021	3.10
2013	4.80	2022	3.90
2014	4.20	2023	4.91
2015	4.26	2024	3.90

Excludes 0% deals.

Construction of the adjusted cap

We recognise that the APR a consumer receives is dependent on a wide range of factors, including their credit score, the vehicle type, and loan term. However, we consider it important to recognise the principle that consumers would have paid some interest in the absence of unfairness, while ensuring the scheme remains clear and practical to implement at scale. We think the 5th percentile of non-zero APRs is a reasonable and proportionate reference point for an adjustment to the realised TCC as a cap. The 5th percentile of non-zero APRs for a given year is low by reference to the market as a whole (95% of non-zero APR agreements would cost the consumer more for credit), and, as such, consumers are unlikely to have been able to obtain a materially better pricing result absent the unfairness resulting from the inadequate disclosure of a relevant arrangement, regardless of their individual characteristics.

We carefully considered whether a lower percentile threshold, or a threshold drawn based on a distribution also including 0% APRs, would be more appropriate. However, as set out above, this cap is intended to reflect the fact consumers should reasonably be expected to have paid some minimal cost of credit in the counterfactual. Defining a threshold that included 0% rates would not reflect this. Moreover, the very lowest observed APRs in our data (including 0% APRs) are frequently driven by short-term, highly subsidised promotional activity, often focused on new cars and concentrated around predictable vehicle registration peaks in March and September in the year of loan origination. These rates are

not generally available to consumers in ordinary market conditions and do not reliably represent a realistic alternative offer at the point of sale. In particular, such APRs are often contingent on narrow eligibility criteria, time-limited manufacturer support, or other promotional mechanisms. This means they should not be treated as part of the typical, year-round consumer choice set.

We also considered whether an alternative approach could be used to identify a suitable APR threshold for the purposes of an adjustment to the TCC cap. For example, the Bank of England base rate could, in principle, provide an intuitive economic floor for very low retail funding costs. However, APRs are specific to individual loans and incorporate fees, compounding conventions, and repayment structures that can vary substantially across products. We also note that for most of the period covered by the scheme (2009-21), the base rate was significantly below the first percentile non-zero APR due to the period of extraordinarily accommodative monetary policy and so, would not reliably represent a realistic alternative offer.

For all agreements taken out at APRs above the 5th percentile (of non-zero APRs), this cap should be calculated by adding the differences between each payment made under the actual agreement and the payment which would have been made had the agreement been taken out at the specified APR threshold for the relevant year, with compensatory interest applied to each such payment differential. This is effectively a variant of the APR adjustment component of the hybrid remedy, where instead of calculating overpayments relative to a market-adjusted APR (ie APR-17% or APR-21%), they are instead calculated relative to the specified 5th percentile APR. We set out this approach in more detail in the following chapter.

For agreements taken out at APRs at or below the 5th percentile of non-zero APR thresholds, redress will be set to £0 by default. This reflects the fact the consumer is already in a better position than they would have been had they paid the specified APR threshold (at the 5th percentile). It is also operationally simpler than requiring firms to run the full redress calculation, as part of which they would have to calculate an adjusted TCC cap which would be zero or negative and therefore have to be floored at nil in any event.

Cap at unadjusted realised TCC, calculated on a simple basis as this may be the lower figure where the adjusted cap methodology results in redress which exceeds what the consumer actually paid for credit

We recognise that there may be cases where a cap calculated using the methodology described above still allows for a redress payment that exceeds what the consumer actually paid for credit where a firm is missing the data needed to reconstruct payment schedules in full (eg where they are missing early settlement data and must assume the loan ran to term).

We are therefore supplementing this with a third cap where firms have the appropriate data: an unadjusted TCC cap calculated simply by taking the realised TCC in its entirety (ie, what the consumer paid in total across the loan period, minus the loan principal) and applying compensatory interest from the date the agreement was entered into. While we expect this cap to apply in relatively rare circumstances, it will help avoid firms being required to pay remedies in excess of the charge for credit the consumer actually paid in cases where firms are missing the more detailed payment schedule data required to accurately calculate the adjusted cap set out above.

This unadjusted cap is also a considerably simpler calculation than the adjusted cap. As such, it will allow firms to make settlement offers at this value without having to undertake the additional work to calculate the adjusted cap.

Alternative remedy approaches

11.50 In CP25/27, we considered, and decided against, using the following alternative approaches to the remedy framework we consulted on:

- Applying the minimum APR remedy awarded by the Financial Ombudsman in the *Miss L* and *Miss Y* lead decisions on DCA disclosure. The approach to remedy in *Miss L* was subject to judicial review in *Clydesdale*, while *Miss Y* was not challenged.
- Applying the loss-based APR adjustment remedy to all scheme cases.
- Expanding the commission repayment remedy to all scheme cases that are less closely aligned to *Johnson* (eg those with lower levels of commission or different features).
- Applying 'smoothing' to address concerns about the 'cliff edge' effect between the commission repayment remedy and the hybrid remedy.
- Using whether a consumer received an APR below the market average APR to determine whether they suffered loss.

11.51 We asked:

Question 62: Do you have any comments on the alternatives to our proposed approach to remedy that we considered but decided against? Are there any other approaches that we should consider?

Feedback

- 11.52** Firms said we dismissed viable alternatives too quickly and without sufficient justification. Some consumer credit firms and their trade bodies felt that alternatives such as an average APR benchmark and related counterfactual approaches had been inadequately explored, suggesting that averages could be calculated using post-2021 data and projected back to 2007.
- 11.53** Sub-prime firms emphasised that, because of their extremely wide risk bands, no meaningful average APR benchmark exists and said any benchmark should be segmented by credit score, vehicle type, and loan term.
- 11.54** Respondents proposed a range of alternative approaches including:
- Adopting a benchmark remedy to provide more individualised redress based on the characteristics of agreements (eg credit risk, market segment, new/used vehicles, or loan value).
 - Using 2025 APR distributions as a counterfactual that has not been influenced by unfair relationships and inferring a benchmark from below the 90th percentile of post-ban agreements we consider to be fair.
 - Awarding the higher of the APR adjustment and commission repayment remedy.
 - Allowing consumers to choose the remedy that reflects their outcomes.
 - Awarding cases involving DCAs redress consistent with the Financial Ombudsman's decisions in *Miss L* and *Miss Y*, highlighting that those outcomes were not overturned and that, in *Clydesdale*, the firm had been unsuccessful in challenging the *Miss L* decision in court.
 - Implementing a £1,100 benchmark based on findings from the 2019 motor finance review.
 - Determining a 'fair commission' benchmark where redress is the excess commission plus interest.
 - Implementing scaling APR adjustments based on the severity of harm.

Our response

Alternative approaches considered in CP25/27

We maintain our decision not to use any of the alternative approaches we previously decided against for the reasons outlined below:

- We do not consider the approach to remedy in *Miss L/Clydesdale* to be appropriate for a market-wide consumer redress scheme. It was an individualised assessment of the facts of these individual complaints, using case-specific judgement, and the consumer and lender were given the opportunity to provide evidence specific to the consumer's circumstances.
- Our scheme is designed to deliver fair and consistent outcomes across millions of agreements, taking into account a wide range of factors including relevant case law (ie the Supreme Court's approach in *Johnson*), the need to ensure that under our scheme consumers receive

redress that is just, the broad range of remedies courts could award to restore fairness under section 140B CCA, and the need to deliver standardised remedies to ensure our scheme operates effectively at scale and the costs of administering the scheme are proportionate.

- Applying the loss-based APR adjustment to all cases in our scheme may risk under-compensation, while expanding the scope of the commission repayment remedy to all cases risks over-compensation (as outlined in our response to cases that receive the hybrid remedy). We maintain the view that the approach in the hybrid remedy produces fairer redress outcomes than either the APR adjustment or the commission repayment remedy alone.
- We maintain the view that smoothing to address potential cliff edge effects between the hybrid and commission repayment remedies is not necessary, as our proposed high commission threshold is robust and evidence based (outlined in Chapter 5) and the hybrid remedy provides proportionately higher redress in higher commission cases (given it is based on 50% of the commission paid by the lender to the broker). Bright line rules are necessary to allow the scheme to operate at scale, but we recognise that these can create unavoidable discontinuity or cliff edges at the margins. We are introducing caps on redress (outlined above) to make the distinction clearer between cases that align closely with the facts in *Johnson*, which receive the commission repayment remedy, and all other cases, which receive the hybrid remedy.

APR benchmark remedies

We carefully considered the benefits and disadvantages of proposed alternatives to the remedy framework in comparison to the revised Scheme 1 and Scheme 2 remedies and the overall objectives and principles of our schemes.

The rationale underpinning the APR adjustment component of the hybrid remedy fundamentally differs from the principle of benchmarking. The hybrid remedy's universal APR adjustment reflects widespread loss, while, in contrast, benchmarking seeks to establish a 'fair' APR for the market, where consumers below this threshold are considered not to have suffered harm. Our view is that harm is widespread, meaning any consumer who paid more than they otherwise would have is likely to have suffered harm. For that reason, our hybrid remedy is proportionate to the APR paid rather than providing redress based on a fixed 'fair' benchmark.

Average APR benchmark

We maintain the view that the average APR benchmark we previously considered is not appropriate for our scheme as outlined below:

- It would rely on APRs that have been affected by the commission and inadequate disclosure practices we are addressing in our scheme. If the market was, as we believe, affected on a widespread or regular basis by these practices, thereby inflating APRs across large parts of the market, then an 'average benchmark' would not be a fair point of comparison.

- It would not adequately meet our duty to consider the loss or damage suffered by consumers, as applying a single market figure to all cases, without differentiating between cases similar to the facts in *Johnson*, increases the risk of over- or under-compensation compared to the APR adjustment component of the hybrid remedy, which applies the same, proportional APR reduction to every case in either Scheme 1 or Scheme 2, while reserving full repayment of commission plus interest for cases similar to *Johnson*.
- Deciding what counts as the average across lenders, brokers, products, credit scores or time periods would be complex, open to challenge, harder to apply consistently, and could create opportunities for firms to influence the average APR benchmark when applying the benchmark at a firm level. This would increase disputes and significantly slow down redress.
- It would be difficult to fairly implement as it requires detailed, standardised data from every firm and careful decisions about how to treat outliers and time periods.
- The hybrid remedy, which incorporates an APR adjustment component, combines a loss-based remedy with a commission repayment remedy, designed to compensate consumers for financial loss whilst also reflecting the broader range of remedies a court could award to restore fairness and the uncertainty as to where courts could land if the features of a case do not closely align with *Johnson*.

APR benchmark proposals in CP25/27 feedback

After reviewing the benchmark proposals we received in response to the consultation, we maintain the view that the proposed APR adjustment for Scheme 1 and Scheme 2 cases under the hybrid remedy is fair across different APR levels, reflects our duty to take account of loss from inadequate disclosure of relevant arrangements, and considers how courts could approach redress in similar cases.

In comparison to the APR adjustment component of the hybrid remedy, the proposed benchmarks would introduce complexity and subjectivity, may lead to inconsistent outcomes, and would make effective supervision significantly more challenging. We decided against adopting the proposed APR benchmarks for the reasons outlined below:

- Firm-specific assessments of individual agreements would make effective supervision significantly more challenging, increase the complexity of the scheme, and would not align with the scheme's principles of fairness, simplicity, and consistency. Differences in the way firms may define some agreement characteristics could be considered more subjective, less transparent, and less fair than the hybrid remedy's approach of assessing agreements equally. As firms may have different risk tolerances or use proprietary risk scores, it may not be possible to ensure consistent treatment of agreements across firms or enforce standardised definitions for specific characteristics, potentially limiting the breadth, and therefore the effectiveness, of segmentation and filtering in a benchmark.

- For a benchmark to function properly, all firms must hold comprehensive data on all agreements dating back to 2007. If detailed agreement data is missing or incomplete, it will not be possible to correctly determine where an agreement should sit relative to a benchmark and the level of redress it should receive. In these cases, firms may need to use subjective judgement or assessments to benchmark agreements, which goes against the scheme's principles of transparency and fairness, could significantly increase the number of cases referred to the Financial Ombudsman (with resultant difficulties for them to objectively review such cases), could also substantially increase the number of consumers who pursue litigation, and would be challenging to effectively supervise.
- Using data from 2025 to develop a post-ban APR distribution has many limitations. It conflates the effect of the ban and the effect of DCAs by comparing agreements affected by both simultaneously, making it impossible to isolate the effect of either one. Observed differences in APR could be driven by changes in post-ban market behaviour rather than the presence or absence of a DCA. Assuming the median APR post-ban is a counterfactual for the median APR pre-ban is an unconditional comparison that is not supported by observable or unobservable factors and assumes consumers are identically distributed. Comparing groups of loans that originated in different periods does not account for non-macroeconomic factors that are difficult to predict without specific controls such as changes in client base influencing commission structures. Comparing overall APR distributions rather than residual APR, after controlling for key factors, would limit the robustness of the conclusions.
- An independent academic reviewed the analysis underlying the proposals and advised against changing the remedy to a benchmark as it would be less analytically rigorous, rely on untestable assumptions, and provide less precision and statistical credibility compared to the hybrid remedy. Further technical limitations to an APR benchmark remedy are outlined in [Technical Annex 1](#), Chapter 4.
- Replacing the hybrid remedy with a benchmark, prioritising a more individualised assessment of loss, does not reflect the remedies that could be available to consumers who go to court under section 140B CCA, including refund of commission. This could lead to an increase in the number of cases going through courts, undermining the scheme's core principle of comprehensiveness. Section 140B CCA and case law outline that the purpose of the remedy in unfair relationship cases is to remove unfairness rather than compensate for losses, as seen in the Supreme Court's judgment in *Johnson*.

We received a supplementary report for one of the APR benchmark proposals which addresses some of the limitations identified above and in [Technical Annex 1](#). However, these changes do not materially improve the proposal's ability to meet the core principles of our scheme. In line with our principles, our scheme must be comprehensive and fair.

By continuing to prioritise more targeted redress, the benchmark proposal would still rely on firm-specific assessments of agreement characteristics and detailed historical data that many firms report they do not hold, or for which availability is limited, for earlier years. This creates a risk of inconsistent outcomes for consumers, increasing the likelihood of disputes, and would make effective supervision significantly more challenging.

Our regulatory judgement remains that the hybrid remedy, reinforced by amendments such as caps that anchor outcomes to restoring fairness, provides a better overall balance of fairness, proportionality, and timely delivery across millions of agreements.

Other approaches proposed in CP25/27 feedback

We do not propose to implement the suggestions for other alternative approaches received in stakeholder feedback for the reasons outlined below:

- Awarding the higher of the redress outcomes in the APR adjustment and the commission repayment components of the remedy instead of averaging the outcome in the hybrid remedy risks over- or under-compensating consumers (as outlined in our response to 'cases that receive the hybrid remedy', above).
- Allowing consumers to choose the remedy they believe is the best reflection of their outcomes would introduce additional complexity, subjectivity, inconsistency, and unfairness to the scheme. We do not consider it appropriate to put the onus on consumers to evidence the harm they received due to inadequate disclosure of relevant arrangements. The simple, standardised approach of the revised remedy framework comprehensively reflects the broad range of remedies courts could award, whilst ensuring redress outcomes are proportionate, consistent, and fair for consumers, and can be implemented at scale as is necessary in a mass redress scheme.
- The final report in our 2019 motor finance review outlined that on a typical motor finance agreement of £10,000, increasing commission under the reducing Difference in Charges (DiC) arrangement is typically associated with an increase in interest costs of around £1,100 over a 4-year term. We do not consider this figure to be an appropriate benchmark to determine redress as it was based on analysis of a specific commission model, in comparison to the hybrid remedy which reflects harm across different models, a longer period of time, and takes into account the broader range of remedies courts could award in unfair relationship cases. The 2019 report also predates the legal authority now established in *Johnson and Clydesdale*.
- Determining a 'fair commission' benchmark, where redress is the excess commission plus interest, would not adequately reflect the full range of harm from inadequate disclosure of relevant arrangements causing an unfair relationship. The hybrid remedy balances a loss-based APR adjustment with the commission repayment remedy which we consider to produce more proportionate redress outcomes for cases that do not closely align with the facts in *Johnson*.

- Scaling redress in the APR adjustment component of the hybrid remedy based on the proposed adjustments of 17% for simple cases, 25% for more severe cases, and full commission repayment for cases with multiple failings would not be consistent with the scheme's key principles of simplicity and consistency. However, the revised remedy will award different redress depending on the agreement start date rather than the individual factors of each agreement. In the revised remedy framework, we enhanced the robustness of the APR adjustment by expanding the sample data to better reflect harm and market behaviour in the Scheme 2 period, resulting in an APR adjustment of 17%. Scheme 1 cases will use a higher APR adjustment of 21% to reflect greater harm in earlier years.
-

Compensatory interest

Level of compensatory interest

- 11.55** We proposed that redress under the scheme should include an amount to compensate consumers for being deprived of money as a result of the firm's actions. In line with the approach taken by courts and the Financial Ombudsman, we proposed this would be calculated by applying interest to the money the consumer was deprived of from the date they were deprived of it to the date it is paid back as redress. We proposed to use simple interest as compound interest is usually only awarded on redress in fraud cases.
- 11.56** We proposed compensatory interest should be calculated using a set rate of simple interest for each year covered by the scheme, set at the annual average of the daily Bank of England base rate for that year plus 1ppt, rounded up to the nearest quarter percentage point.
- 11.57** We explained that we considered a compensatory interest rate of base rate plus 1ppt rate strikes an appropriate balance between compensating consumers fairly and preventing undue financial strain on firms from the accumulation of interest on redress liabilities that may stretch back many years. This approach was also intended to align with the Financial Ombudsman's policy change introduced from 1 January 2026, and a [2004 Law Commission report](#) which also recommended that courts should award a pre-judgment interest rate of base rate plus 1ppt as standard.
- 11.58** We asked:

Question 63: Do you agree with our proposal that compensatory interest on redress should be calculated using a set rate of simple interest for each year covered by the scheme, based on the annual average of the daily Bank of England base rate for that year plus 1 percentage point and rounded up to the nearest quarter percentage point? If not, please explain why you do not agree and any other options we should consider

Feedback

- 11.59** Responses to this question were split, with consumers, consumer organisations and professional representatives expressing different views from firms.
- 11.60** Consumers, consumer organisations, and professional representatives broadly disagreed with our proposals. Consumer groups and professional representatives argued the default rate of compensatory interest should be significantly higher to avoid under-compensating consumers. They argued our proposed compensatory interest rate of base rate plus 1ppt fell significantly below inflation, the cost of borrowing, and the returns consumers would have obtained elsewhere (eg in a savings account) for much of the proposed scheme's period. As a result, they argued this rate would fail to return consumers to the financial position they would have been in had there been no unfairness. Some respondents noted that economic conditions had changed considerably, and highlighted the standard interest added by the Financial Ombudsman was 8% simple interest throughout the entire period covered by the scheme. Several also argued our proposed compensatory interest rate risked a significant number of consumers going to court in the hope they would be awarded higher commercial rates, which would impose additional administrative costs on both consumers and firms.
- 11.61** Consumers, consumer organisations, and professional representatives put forward a number of alternative proposals for a default level of compensatory interest. These included a higher uplift over the base rate, and rates linked to the cost of borrowing, inflation, or the APR of the motor finance agreement in question. Most commonly, they suggested setting compensatory interest at a flat 8% simple rate, which they suggested better reflected what a court would be likely to offer and, as above, aligned with the standard Financial Ombudsman compensatory interest rate across the period covered by the proposed scheme. Several consumers, consumer organisations and professional representatives also argued compensatory interest should be compounded, not simple, to better reflect the position consumers would have been in had they been able to save or invest.
- 11.62** Firms were largely supportive of our proposed approach. They welcomed a compensatory interest rate that aligned with the Financial Ombudsman's new practice. They argued a higher rate, such as the historic Financial Ombudsman guidance of 8% simple interest per year, failed to reflect the actual cost of money during a period when the base rate was frequently below 1% and would result in windfalls for consumers. Several firms did, however, raise concerns around our proposal to round the annual average of base rate plus 1ppt up to the nearest quarter percentage point. They argued this was arbitrary and artificially inflated the base rate to their detriment. We also received feedback suggesting we specify the compensatory interest rates for future years in advance to ensure operational clarity and prevent delays in redress distribution.
- 11.63** Both firms and professional representatives presented evidence of different compensatory interest rates being awarded by courts. Some firms suggested in their CP responses that in cases they have lost, county courts awarded a relatively low level of compensatory interest on average – around 2-3%. One firm shared the outcomes of more than 70 county court cases they had lost, with an average compensatory interest rate of around 3.2% applied as simple interest.

- 11.64** Several professional representatives, on the other hand, pointed to an October 2025 Competition Appeal tribunal ruling (*Kent v Apple*) that provided 8% compensatory interest for private individuals, and we heard from some that their clients have succeeded in being awarded 8% compensatory interest in motor finance county court cases since then.
- 11.65** We also received feedback on our proposal to apply a single annual compensatory rate for each year of the scheme. One large firm argued it would be better to apply a daily rate methodology, calculating compensatory interest using the daily rate in force for each day of the period. They argued this would provide accurate redress, and ensure customers are neither over- nor under-compensated, regardless of when in the year their detriment arose. One trade body suggested rates could be shown on a quarterly basis, rather than yearly. Other respondents expressed concerns about the complexity of the interest rate calculation. They called for a single uniform rate to apply across all scheme years, in some cases arguing this should be calculated as applying from the beginning or mid-point of the agreement term to the sum of overpayments across the lifetime of the scheme, to simplify the calculation. Consumers, consumer organisations and professional representatives who took this view argued it would be easier for consumers to understand, while some smaller firms argued this would be less operationally burdensome.

Our response

We continue to believe that a default compensatory interest rate of simple interest applied at base rate plus 1ppt typically strikes an appropriate balance between compensating consumers fairly and preventing undue financial strain on firms. However, we are making 3 key changes in response to the feedback we have received:

- First, we are introducing a floor on compensatory interest of 3% in any year. Rather than simply tracking the base rate, consumers will receive a minimum of 3% compensatory interest across each year of the 2 schemes.
- Second, we are removing rounding. In those years where the floor does not apply, consumers will receive the actual annual average base rate plus 1ppt, without this being rounded up to the nearest quarter percentage point.
- Third, we are specifying the compensatory interest rates for future years in advance to provide certainty to both firms and consumers.

These changes are guided by our principles for a motor finance redress scheme and contribute to redress we believe is both just and fair. We set out the rationale for each of the changes we are making in more detail below.

We have also carefully considered the suggestion that compensatory interest should be calculated using the daily interest rate in force for each day. We recognise the merits of applying a daily-rate methodology, as it would reduce the risk of under or overcompensating consumers during periods where the base rate changes. It would also align with the

Financial Ombudsman’s updated methodology, which applies a daily, time-weighted average. However, while we continue to expect that firms (or third-party providers) will use automated tools to perform calculations accurately and at scale, we must balance the benefits of greater accuracy against concerns that the methodology we consulted on is already complex for smaller firms to operationalise and may be difficult for consumers to understand. Introducing a daily-rate calculation would add materially to that complexity. We therefore remain of the view that setting an annual compensatory interest rate, applied from the date of each overcharge under the APR-adjustment component of any remedy, strikes an appropriate balance between accuracy, proportionality and operational simplicity.

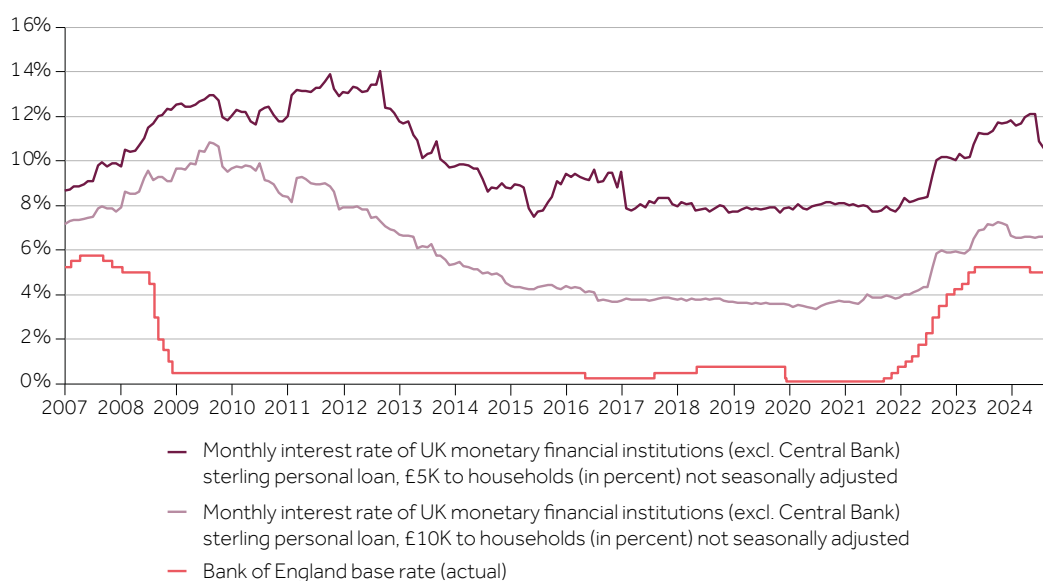
While we recognise consumers, consumer organisations, and professional representatives’ concerns that compound interest would better compensate for lost saving or investment opportunities, we have decided compensatory interest should continue to be applied on a simple basis. As we set out in CP25/27, this aligns with the typical approach taken by the Financial Ombudsman or by courts (where compound interest is usually only awarded on compensation in fraud cases).

3% floor on compensatory interest

We recognise that the scheme spans long periods of highly abnormal macroeconomic conditions, with base rates over much of the scheme being abnormally low (sitting below 1% from March 2009 to May 2022) and not closely linked to consumer borrowing costs.

Bank of England personal loan data, for example, shows significant variation in unsecured personal loan rates over the lifetime of the scheme, not always closely linked to the base rate (as per Figure 12 below).

Figure 12: £5k and £10k unsecured personal loan rates vs Bank of England base rate



Source: Bank of England [£5k and £10k personal loan data](#), [Bank Rate history and data](#)

We expect most consumers would, if they needed to borrow because of having overpaid on a motor finance agreement, do so via unsecured borrowing channels. Figure 12 includes both £5k and £10k unsecured personal loan data. This data suggests consumers would have faced higher borrowing costs than base rate plus 1ppt over most of the life of the scheme, even under the conservative assumption they were able to borrow at £10k personal loan rates. In reality, it is likely many consumers would borrow at even higher interest rates, given both the level of loss resulting from inadequate disclosure (likely to be significantly less than £10k, for most consumers) and the fact that many consumers, particularly those with weaker credit profiles, would be unlikely to qualify for these specific products.

In addition, given the information we have received from both firms and consumer representatives (set out above) suggesting courts' approach to compensatory interest is mixed and subject to a high degree of discretion, maintaining the position we consulted on may undermine our aim to deliver a comprehensive scheme. Consumers may decide to take their case to court instead of participating in the scheme in the hope of achieving a higher compensatory interest rate than the annual average base rate plus 1ppt.

As set out above, to address some of these concerns we are applying a 3% floor to compensatory interest for each year of the scheme. We recognise this approach diverges from the approach taken by the Financial Ombudsman and the default recommendation in the 2004 Law Commission report. However, it is important to note that neither the Financial Ombudsman's approach, nor the Law Commission's recommendation (which was written before the era of abnormally low interest rates that applies to much of the scheme), represent fixed ceilings. Both allow upwards adjustment based on an assessment of a consumer's individual circumstances, and we think it is appropriate for a scheme which must necessarily take a standardised approach to remedy, rather than an individualised assessment of loss, to apply a higher compensatory interest level to account for this. This is particularly important given our decision to remove the process allowing consumers to make representations to obtain a higher level of compensatory interest, in light of feedback this was unworkable for both consumers and firms (see our response to Question 64 below).

While deciding which level to set a floor at is a matter of regulatory judgement, we think 3% reasonably balances consideration of factors including what consumers may obtain in court for motor finance cases (based on the examples presented by both lenders and professional representatives set out above), the costs of borrowing over the scheme period (aligning with the lower end of the interest rates available for consumers borrowing an unsecured £10k personal loan, which as above, is likely to be a conservative estimate of consumer borrowing costs), and the need to strike an appropriate balance between what we think is reasonable for consumers individually and the collective impact of

market-wide redress liabilities on the existence of a competitive motor finance market for the future. A significantly lower floor would risk higher numbers of consumers seeking redress via the courts in the hope of securing a better compensatory interest rate.

Removal of rounding

We recognise firms' concerns regarding rounding up the rate of compensatory interest to the nearest quarter percentage point. While the actual base rate is often (though not always) rounded to a quarter percentage point, we recognise firms' feedback that there is no obvious reason an annual average used for the purposes of the redress calculation should be. We are therefore removing the requirement for firms to round up the annual average of base rate plus 1ppt.

Compensatory interest rates for future years

We have also considered suggestions that we should specify compensatory interest rates for future years in advance. We agree that this would provide greater certainty for firms and help avoid delays in distributing redress. Compensatory interest rates for future years will be set using the simple average of quarterly base rate projections from the February 2026 Monetary Policy Report, plus 1ppt (using market-implied path projections and the actual base rate for Q1 2026). The compensatory interest rates are therefore 4.49% for 2026, 4.4% for 2027, and 4.6% for 2028. This approach provides clarity for both firms and consumers, while avoiding the need for firms to calculate new annual averages based on the specific timing of each redress determination — an approach that would add significant complexity and risk inconsistent outcomes.

The resulting rate of compensatory interest plus 1ppt (floored at 3%) for each year in the scheme is set out in Table 8 below.

Table 8: Compensatory interest rates for use in redress calculations

Annual average of the daily Bank of England base rate plus 1ppt, floored at 3% (using base rate projections from 2026 onwards)

2007	6.51%	2018	3%
2008	5.68%	2019	3%
2009	3%	2020	3%
2010	3%	2021	3%
2011	3%	2022	3%
2012	3%	2023	5.68%
2013	3%	2024	6.11%
2014	3%	2025	5.25%
2015	3%	2026	4.49%
2016	3%	2027	4.4%
2017	3%	2028	4.6%

It is important to note that our redress liability modelling applies a Q4 2026 projection to 2026 in its entirety, and is intended to reflect liabilities across firms as of 31 December 2026. Our modelling therefore applies a compensatory interest rate of 4.3% for 2026 and does not include compensatory interest rates for 2027 and 2028. We have, however, conducted sensitivity analysis on the impacts of different compensatory interest rates. Our modelling approach is set out in detail in Chapter 7 of Technical Annex 1.

Objections to the standard level of compensatory interest

11.66 We also proposed that the amount of compensatory interest awarded could be objected to by consumers where they could provide contemporaneous evidence that they had incurred higher borrowing costs because of their motor finance agreement, and that the amount of compensatory interest did not adequately compensate them. Acceptable evidence under our proposals would have included bank statements showing insufficient funds following repayments under the motor finance agreement, evidence of subsequent borrowing, and correspondence indicating financial distress linked to payments relating to the motor finance agreement.

11.67 We asked:

Question 64: Do you agree with our proposal to allow consumers to make representations where they believe that interest at base rate plus 1 percentage point does not adequately compensate them for their loss? If not, please explain why you do not agree and any other options we should consider

Feedback

11.68 Views on the proposed rebuttal option were mixed across stakeholder groups.

11.69 A number of respondents disagreed with our proposed rebuttal process, arguing instead for a single uniform rate for all consumers. Consumers, consumer organisations, and professional representatives who disagreed argued that requiring consumers to make representations imposed too high a burden, and the rebuttal would be extremely difficult to make use of in practice. They noted specific groups, particularly vulnerable customers, may be disproportionately excluded from such a process.

11.70 Firms who were opposed noted an individualised assessment mechanism added complexity and cost to the operation of the scheme, which would be likely to benefit only a low number of consumers. They also suggested allowing rebuttals undermined the scheme's objective of providing finality and risked leaving firms with open-ended liability it would be difficult to quantify.

11.71 Stakeholders from all groups highlighted the process introduced significant complexity and subjectivity, which could risk inconsistent outcomes for consumers and could

give rise to disputes which would impose further administrative burden on both firms and consumers.

- 11.72** Other respondents agreed with the rebuttal process in principle, though most raised concerns about how broadly it applied and how workable it would be in practice.
- 11.73** Consumers, consumer organisations and professional representatives raised concerns about consumers' ability to provide specific evidence dating back many years and called for the range of acceptable evidence to be widened. Some pointed to other potential indicators of financial difficulty, including savings or overdraft use, borrowing from family, and falling behind on other bills. Others argued consumer loss was not just linked to specific borrowing but could also include foregone savings or investment opportunities. Others argued firms should be required to be more proactive in identifying consumers who may have fallen into financial difficulty and should receive a higher compensatory interest rate.
- 11.74** Firms and their trade bodies expressed concerns about the operational impact of having to run a subjective, individualised process to assess rebuttals. They were concerned such a process could result in spurious claims and referrals to the Financial Ombudsman, particularly from professional representatives. They also argued the criteria to obtain a higher rate of compensatory interest we consulted on were too widely drawn. Several firms argued that the rebuttal should be limited to situations in which the consumer can demonstrate the difference between the payments the consumer actually made and the payments they would have made in the counterfactual led to the increased borrowing, and any additional interest should be applied only to that difference. Others argued acceptable evidence should be time limited to within a short window of the agreement being entered into, and that the consumer should be required to demonstrate additional borrowing was for day-to-day expenses (that is, debt the consumer had no choice but to incur).

Our response

We recognise stakeholder concerns about the practicality of the rebuttal process and have decided to remove it from the final scheme. This change advances our scheme principles of certainty, simplicity and cost-effectiveness, and timeliness. The original approach would have required consumers to provide historical evidence, which many would find difficult. The need for subjective, individualised assessments of evidence could also lead to delays and inconsistent outcomes across firms.

We considered whether we could reasonably address these concerns through modifications to the rebuttal. However, any changes we made would not resolve its inherent subjectivity, and it would likely still be difficult for consumers to make use of. There would also be difficult trade-offs involved in any changes we made. For instance, while we believe there is merit in firms' arguments that consumers should be required to demonstrate it was the overpayments relative to the counterfactual (not the repayments on the agreement in their entirety) that led to financial difficulty, reflecting this in rules would make it even more

difficult for consumers to use and could lead to more disputes. We also considered whether firms could proactively identify eligible consumers using data, but this would be challenging to do without undermining the rebuttal's aim to target loss arising from inadequate disclosure of relevant arrangements, rather than general financial difficulty.

We recognise that removing the rebuttal may disadvantage some consumers, arguably particularly those who are vulnerable, who could have shown increased borrowing costs. Consumers can still pursue court action if they believe they are entitled to more, but we recognise the consumers who may have been most likely to benefit from this rebuttal are those likely to be least equipped to take legal action and for whom lower net redress after legal fees would be most impactful. However, a scheme of this scale needs to simplify complex legal and operational issues so that it is practical and can deliver consistent, timely redress. As set out above, we are introducing a floor on compensatory interest, which will ensure most consumers receive higher compensatory interest payments than previously proposed (which we expect would have reduced the number of rebuttals attempted in any event).

Settlement offers and redress calculations

- 11.75** We proposed in CP25/27 allowing firms to settle scheme cases on a full and final basis (for all claims relating to the subject matter of the scheme) at any stage without completing the full scheme process, where the offer met certain criteria. This flexibility was intended to reduce costs where the likely redress was lower than the cost of continuing with the case under the scheme.
- 11.76** To ensure consumer protection, we proposed any settlement offer would have to be either:
- No less than the maximum redress the consumer could receive under the scheme, requiring firms to calculate redress under all relevant remedies; or
 - Alternatively, recognising that calculation of all remedies could be resource intensive and erode the cost savings offered by the scheme, equal to the commission repayment remedy and come with a clear explanation that this results in the largest remedy on average but that this cannot be guaranteed for the individual consumer's case.
- 11.77** Under our proposals, if a consumer accepted a settlement offer, no further steps under the scheme would be required, and the consumer would be unable to seek additional redress through the scheme, the Financial Ombudsman, or the courts for the same unfair relationship claim. If the offer was rejected or not accepted within 1 month, the case would proceed through the full scheme. Where negotiations on settlement delayed progress, we proposed the relevant deadlines would be extended by 1 month.

11.78 We also proposed firms would be required to maintain records of all settlement offers and demonstrate compliance with these requirements.

11.79 We asked:

Question 23: Do you agree with our proposal that lenders should be allowed to make settlement offers without completing all the stages of the scheme, but that these are clearly explained and must either be no less than the maximum redress that would be available under the scheme or based on the repayment of commission? If not, please explain why you do not agree and any other options we should consider

Feedback

11.80 Most respondents supported the use of early settlement offers in principle, though expressed a range of views on what they should involve.

11.81 Consumers, consumer organisations and professional representatives were also generally supportive of settlement offers but emphasised the need for strong consumer protections. Most argued firms should be required to offer the maximum redress available under the scheme, noting risks that firms could target early settlement offers at consumers who would benefit from their case being dealt with under the full scheme calculation. Others called for enhanced reporting and supervisory oversight to ensure the mechanism is not used to the detriment of certain groups of consumers.

11.82 Consumers, consumer organisations and professional representatives also highlighted the need for clear customer communications. Several requested that all early settlement offers include the full redress calculation and confirmation the offer equals or exceeds the maximum entitlement. They also stressed the importance of FCA-mandated language clarifying that acceptance of a settlement would waive rights to further redress. Several professional representatives also suggested firms should be required to advise consumers to seek independent advice.

11.83 Firms broadly supported the use of early settlement offers and welcomed the potential for such offers to be treated as full and final. However, several firms argued against the expectation that settlement offers must always reflect the consumer's maximum potential redress. They suggested this undermined the operational advantages of early settlements by requiring firms to carry out full redress calculations in all cases. Instead, they suggested firms should have the flexibility to make settlement offers at any level, emphasising that consumers would remain free to reject them, also noting lower offers would reflect the reduced time and effort required by both parties, akin to settlements in litigation. Other firms suggested repayment of commission should not be treated as a standalone settlement option, cautioning this could prompt consumers to seek commission-related remedies even where they are not warranted.

11.84 A number of firms also highlighted uncertainty about consumer uptake, warning that low commission amounts could lead to refusals and calling for options such as de minimis thresholds or caps to help manage expectations. Others advocated moving

away from an opt-in model altogether, suggesting that when a firm is prepared to offer the maximum scheme redress, it should be able to move directly to issuing a redress determination.

- 11.85** Several trade bodies and firms also requested we provide optional 'full and final' wording for use in redress determinations more generally, not just settlement offers. We also received feedback that the proposed scheme rules did not require explicit consumer acceptance of redress determinations, which could introduce finality risk unless acceptance is tied to explicit 'full and final' terms.
- 11.86** We also received feedback on the proposed 1-month acceptance window for settlement offers. Some firms argued this could extend scheme timeframes unnecessarily and proposed reducing the period (for example, to 2 weeks), while some consumer representatives argued this was too short and should be extended.
- 11.87** While most respondents were supportive of settlement offers, a small number, including consumers, professional representatives and smaller firms, opposed allowing early settlements on the basis that they could undermine scheme consistency. They argued enabling firms to settle early may lead to uneven outcomes for consumers. Some smaller firms expressed concerns they would face operational and legal risks if required to calculate maximum redress without robust data systems.

Our response

We are making a number of changes to the approach we consulted on.

Settlement offers will now always, at minimum, reflect the maximum redress a consumer would receive under the scheme. Where firms do not wish to undertake the full redress calculation, settlement offers can be made at commission plus interest (the sole remedy for cases which align closely with the *Johnson* fact pattern, and higher than the redress any case subject to the hybrid remedy would receive) or at any of the caps we are introducing for cases unlike *Johnson*. As settlement offers now reflect at least the maximum a consumer would receive under the scheme, they will be issued as provisional redress decisions. We are also providing optional 'full and final' wording for use in provisional decisions and redress determinations.

Value of settlement offer

We do not agree with suggestions that firms should be allowed to make settlement offers at any level. Doing so risks inconsistent outcomes for consumers, who in many cases could be under-compensated. We do, however, recognise consumer representatives' concerns that under the proposals we consulted on, consumers could receive less than the maximum allowed under the scheme.

Lenders will have to be able to demonstrate that the amount offered is no less than the maximum redress that would be available under the scheme.

We proposed in CP25/27 that lenders could offer the commission repayment remedy without demonstrating this was the maximum available under the scheme. However, the removal of the APR adjustment floor means the commission repayment remedy is now the sole remedy for cases that closely align with the facts in *Johnson*. As set out above, we are introducing 3 caps to redress under the hybrid remedy, one of which will ensure such cases receive at most 90% of commission plus interest (while cases that closely align with the facts in *Johnson* will receive the commission repayment remedy by default). This means the commission repayment remedy can still be offered in any scheme case without any further calculations being undertaken by the firm, as it will now be at least the maximum redress a consumer could receive.

Where a case does not closely align with the facts in *Johnson* (because it does not have a very high commission and does not involve either a DCA or a contractual tie) and therefore receives redress under the hybrid remedy, firms will also be able to make settlement offers at any of the 3 caps on the hybrid remedy, or to run the full hybrid calculation and offer this sum to the consumer (because any of these will be no less than the maximum that would be available under the full scheme calculation). Firms may also calculate multiple of these, and offer whichever is lowest, though the more involved the calculation the fewer the operational benefits associated with making a settlement offer. In practice, we expect most settlement offers will be made at 90% of commission plus interest or the unadjusted total cost of credit cap, which are simplest to calculate and therefore are likely to carry the greatest operational benefits.

Operational impact

We recognise concerns that consumers are free to reject settlement offers even where this is the maximum redress, which can delay resolution of cases and impose additional burden on firms who would have to carry out a full scheme assessment, for no consumer benefit.

As above, all settlement offers made under the scheme rules will now, at minimum, be the maximum redress a consumer would receive under the scheme. In light of this, settlement offers will now be issued as provisional redress decisions, that the firm can issue at any point during the scheme (with timeframes for acceptance aligning with provisional redress decisions and redress determinations for the scheme as a whole).

These provisional decisions should explain the offer is the maximum the consumer would receive under the scheme. They should also detail the redress calculation and amount of redress due, what the consumer needs to do to accept the offer including how to provide their bank details, and the consumer's right to challenge the decision.

The annexes to CONRED 5 and 6 set out the requirements for firms to include statements in provisional redress decisions and redress determinations that consumers may accept redress outcomes in full and final settlement of all claims relating to the subject matter of the scheme in relation to the case, including any legal claims. This furthers

the scheme principle of certainty, by providing finality to consumers and firms. As set out in Chapter 8, provisional redress decisions and determinations will also now require explicit consumer acceptance, which will further support finality and provide clarity for both firms and consumers.

Redress set-off

11.88 We proposed that firms would be entitled to set redress off against any monies owed by the consumer to the firm (eg for arrears and defaults), provided these were not subject to an unresolved dispute, complaint or legal claim at the time of the redress calculation. We proposed this set-off would be limited to monies owed under any motor finance agreement or other regulated consumer credit agreements with the firm, as these would all be subject to the same arrears, default, and recovery requirements in CONC 7. It would not have extended to other, non-consumer credit lending products, such as mortgages or business loans.

11.89 We also proposed that where a consumer not in arrears still had an outstanding principal balance on their motor finance agreement, firms may offer the option to apply any redress due under the scheme as a set-off against that outstanding balance, but only with the consumer's explicit agreement.

11.90 We asked:

Question 65: Do you agree with our proposal that lenders are entitled to set redress off against any monies owed by the consumer to the lender in relation to any motor finance agreement or other regulated consumer credit agreements and which are not subject to an unresolved dispute, complaint or legal claim? If not, please explain why you do not agree and any other options we should consider

Question 66: Do you agree that lenders may only apply any redress due under the scheme as a set-off against an outstanding balance with the consumer's explicit agreement? If not, please explain why you do not agree and any other options we should consider

Feedback

11.91 There was broad agreement that firms should be entitled to set redress off against monies owed by the consumer under motor finance and other regulated consumer credit agreements, where those sums are not subject to an unresolved dispute, claim or legal challenge. Views from respondents to other aspects of this question varied significantly.

- 11.92** Consumers and consumer organisations were broadly supportive of the approach outlined in CP25/27 but objected to firms applying set-off unilaterally – especially for debts not yet due or for loans in default – arguing that consumers in financial difficulty must retain control over how redress is used. They argued that set-off should only be applied where there is explicit, informed consent from the consumer.
- 11.93** Views regarding whether firms should be required to obtain consumer consent before applying set-off were mixed. Some lenders and brokers argued that introducing a consent requirement would be inconsistent with established legal principles, noting that (depending on the terms of the agreement) firms may already have a legal right to apply set-off without the consumer's consent. They highlighted a strong preference for automatic set-off for customers in arrears or default and argued that requiring consent in these cases would create operational delays, increase unresolved arrears, and potentially lead to unfair outcomes. There were also concerns that obtaining consent would be impractical where customers are disengaged or have outdated contact details. Some respondents also warned that a consent-based model could be exploited by consumers or professional representatives to maximise fee recovery.
- 11.94** Lenders and law firms noted that set-off (as proposed in CP25/27) could result in consumers paying professional representative fees out of pocket if it is automatically applied by firms.
- 11.95** Several respondents asked for clearer definitions of key terms.

Our response

We are broadly maintaining the position outlined in CP25/27, with some amendments.

Firms may apply set-off to the motor finance agreement for which redress is owed when the consumer has arrears or default sums, and consumers can object to this where applying set-off would be unfair which we define below. This includes agreements that contain an express contractual set-off clause, as well as those that do not. Under the consumer redress scheme, lenders can only apply set-off in accordance with the scheme rules. Any existing contractual, legal or equitable set-off rights cannot be relied upon for the purposes of the scheme.

In reaching this position, we considered the need for a scheme that is workable and capable of being applied consistently and at scale, while balancing this against the potential impact on consumers where contractual set-off provisions may lead to inconsistent consumer outcomes.

We consider the following circumstances to be 'unfair':

- Where the arrears or default sums on the consumer's motor finance agreement are subject to an unresolved dispute at the time of the redress determination. In such cases, the consumer must provide evidence that they have disputed the arrears or default sums, and that

the matter had not been resolved through agreement, the courts or the Financial Ombudsman.

- Where the consumer can demonstrate that they have arrears on 'priority debts'. This is consistent with the expectations in CONC 7 for firms dealing with customers in arrears, and similar to the approach taken by the Financial Ombudsman in relation to PPI (where the Financial Ombudsman would consider requiring a firm to pay compensation directly to a consumer where they can demonstrate they have more serious arrears on other debts than the debt to which the PPI was attached).

We have carefully considered stakeholder feedback that, in cases where a consumer has motor finance arrears, applying set-off could result in them paying professional representative fees out of pocket. However, we remain of the view that lenders should be allowed to apply set-off in these circumstances.

This is because consumers could be left in a worse position if, for example, interest accrues on the arrears balance. It could also inadvertently imply that the representative's fees are a higher priority. The use of set-off in these circumstances is also not specific to this scheme and can arise in general complaints handling.

Professional representatives (both FCA-regulated CMCs and SRA-regulated law firms) should act in their client's best interests and inform clients that they can bring a claim themselves for free without representation where applicable.

We also expect firms to treat consumers fairly and in good faith when considering consumer's objections to set-off under either limb of the unfairness test ((1) unresolved disputes and (2) priority debts).

Priority debts refers to an obligation for the consumer to make payment:

- Where non-payment could lead to the loss of the consumer's home (eg mortgage or rent payments), or the loss of essential goods or services (eg a cooker, refrigerator or the means to travel to work).
- Where that obligation arises from court orders or statutory obligations (eg council tax, child maintenance, income tax or court fines).
- Where that obligation arises under a contract for provision of utility supplies (eg water, gas, or electricity).

Set-off will be limited specifically to the motor finance agreement to which redress is owed (save for one minor exception discussed in Chapter 12, where multiple agreements are used to finance a single vehicle sales transaction), rather than wider consumer credit agreements (as was proposed in CP25/27). This addresses feedback from consumer representatives who argued that set-off should be limited to arrears under the consumer's motor finance agreement.

Set-off will no longer form part of the redress calculation itself. Instead, firms must calculate the redress due whether using the hybrid remedy, the commission repayment remedy, or a settlement offer no less than the maximum the consumer would receive under the scheme. Firms must then apply set-off in the provisional redress decision giving consumers the opportunity at this stage to object that (1) the arrears or default sums are disputed or (2) that they have priority debts as defined. We consider that requiring firms to notify consumers and professional representatives of set-off in the provisional redress decision creates a clearer and more transparent process for consumers.

For ongoing agreements, firms will need to assume that the agreement ran to term when calculating redress (as set out in the following chapter). Where there are not any arrears or default sums, we are maintaining the position we consulted on, which gives firms the right to set redress off against the principal only where they have the consumer's consent.

We considered various alternatives, including whether the firm should be given the option to set-off redress without the consumer's consent, to help mitigate against the risk of overcompensating consumers with ongoing agreements. While we consider this to be operationally feasible, it would raise questions about fairness to consumers who would not receive redress directly, and only in the form of reduced payments on the agreement in the future.

Chapter 12

Calculating redress

- 12.1** This chapter sets out the technical steps for calculating redress where a firm has identified an unfair relationship that caused loss or damage. It explains the structure of the redress calculation, the methods for reconstructing payment schedules, the application of compensatory interest, and the assumptions to use where data required to complete the redress calculation is missing.

Summary of policy decisions and how they support our scheme principles

- 12.2** Overall, we have largely maintained the proposed redress calculation framework, while making targeted refinements to improve **fairness**, consistency, proportionality and deliverability. The final approach reflects the need for a standardised methodology capable of operating at scale, while making sure consumers are not disadvantaged by data gaps or put in a better position than they would plausibly have been in absent the unfairness.
- 12.3** Key decisions include:
- Confirming a structured, rule-based approach to calculating redress, combining commission repayment, APR adjustment and compensatory interest as appropriate. This supports consistency and **certainty**, by ensuring similar cases are treated in similar ways across firms.
 - Refining the methods for reconstructing payment schedules, with a hierarchy of approaches based on the availability and reliability of data. This supports **fairness** by prioritising the most accurate representation of consumer payments where possible, while maintaining workable fallbacks where data is missing.
 - Applying different APR adjustments for different schemes, reflecting a decline in the use of more harmful commission models over time. This supports **fairness** and coherence, while providing a clear and workable breakpoint aligned with the overall scheme design.
 - Introducing caps on redress for the hybrid remedy, including a cap at 90% of commission plus interest and a cap based on the realised total cost of credit, adjusted to account for a minimal cost of credit offered to only 5% of the market at the time (excluding 0% APR deals) to support proportionality and **fairness**.
 - Clarifying the calculation of compensatory interest, including the use of simple interest, a minimum interest floor each year, and the treatment of timing assumptions. This supports **fairness** and **transparency**, by compensating consumers for being deprived of money while providing predictable and auditable outcomes for firms.

- Aligning the approach to data gaps for the purposes of the redress calculation with our approach to gathering records and information elsewhere in the scheme, before they have to rely on prescribed alternative values. This supports operability and consistency across the scheme.

Definition of commission for commission repayment remedy

12.4 We also consulted on the definition of commission to be used for the purposes of the commission repayment remedy. We proposed this would align with the definition of commission applied across the scheme more generally, and include 'any commission, fee or other financial consideration or remuneration payable (directly or indirectly) by a lender to a credit broker in connection with the entering into of a specific motor finance agreement'.

12.5 We asked:

Question 59: Do you agree with our proposed definition of commission for the purpose of calculating the commission repayment remedy as, in summary, the total amount that was payable to the broker in connection with the agreement?

Feedback

12.6 Most responses to this question addressed concerns respondents had in relation to the definition of commission across the scheme in general. We set out the feedback we received on this, and our response, in Chapter 3.

12.7 However, some firms argued that a different definition of commission should be used for the purposes of the commission repayment remedy. Their arguments included:

- Only the amount of commission exceeding the high commission threshold should be included in the calculation, on the basis this represents the element that could distort broker behaviour.
- For DCA cases, only the discretionary component of any commission should form part of the remedy, as this was the component that influenced the rate the consumer was charged.
- A de minimis commission amount should be deducted from the amount of commission used in the remedy.
- The amount of commission included in the redress calculation should be adjusted to account for brokers' legitimate fees and operational costs, or aspects of the wider transaction, such as vehicle discounts.
- The amount of commission in the calculation should be scaled downwards in cases of early settlement to reflect the lower actual costs paid by consumers.
- Commission which was later clawed back should be excluded for the purpose of the redress calculation.

Our response

We are maintaining the approach we consulted on. We set out our response to concerns in relation to the definition of commission in general in Chapter 3 (see our response to Question 3). Here, we cover how we have considered feedback suggesting only specific elements of commission should be included for the purposes of the redress calculation.

We do not agree that only commission exceeding the high commission threshold should be included in the calculation for sole factor high commission cases. Nor do we agree fixed or administrative payments should be excluded from the definition of commission used to calculate the commission component of any remedy where a DCA was the sole relevant arrangement or that a de minimis commission amount should be deducted. Regardless of the relevant arrangement, we consider that all commission elements relating to the individual motor finance agreement are relevant to, and collectively drive, the conflict of interest, and think it would be difficult and arbitrary to separate them. It is also important to have a workable scheme with simple rules that can be applied to a range of cases.

We also do not agree that commission which was later clawed back should be excluded for the purpose of the redress calculation. The commission the broker received initially is what warranted disclosure and would have influenced the amount paid by the consumer. So, we believe it is appropriate that is accounted for in the redress calculation. However, we do recognise that there are circumstances in which consumers cancel/unwind agreements, or settle very early into their terms, and as a result pay a very small amount. We address concerns in relation to such agreements in our response to Question 11 (Chapter 4).

We also cover concerns raised in relation to the relevance of the wider circumstances of the transaction (including vehicle discounts), cost recovery and early settlement in our responses to Question 1 (Chapter 2), Question 51 (Chapter 10) and Question 62 (Chapter 11) respectively.

Options for constructing the APR adjustment payment schedule

- 12.8** We proposed that firms would be required to create payment schedules to compare the consumer's actual pattern of payments with those under the market-adjusted APR. The difference between these payments would form the basis for the APR adjustment figure.

12.9 Given potential issues with the availability and quality of historical payment pattern data, we proposed two ways to construct the payment schedules, depending on whether actual cashflow information is available:

- **Option 1:** Based on actual cashflows. Where complete and reliable records exist (including actual payment dates/amounts, charges, and any early settlement transaction), firms would be required to reconstruct the factual cashflows exactly. This was intended to maximise accuracy, capture irregularities (eg missed or partial payments, payment holidays, fees) and provide the clearest audit trail back to source records.
- **Option 2:** A fallback option, based on modelled or assumed cashflows. Where necessary data to reconstruct actual cashflows is not available or not reliable, we proposed firms would be required to construct a modelled schedule using the standard amortisation formula, the original APR, and the contractual term, assuming the agreement ran to full term (with specific adjustments where early settlement occurred and necessary inputs to calculate the early settlement payment are known). This would make sure consumers are not disadvantaged by legacy data gaps while maintaining consistency and proportionality in delivery. The counterfactual schedule would then be created using the same approach, substituting the market-adjusted APR.

12.10 We asked:

Question 67: Do you agree with the two options we have proposed for constructing the payment schedule to compare the customer's actual pattern of payments with the pattern under the market-adjusted APR? If not, please explain why you do not agree and any other options we should consider

Feedback

12.11 Most responses came from firms, and views were generally mixed. Many firms disagreed with the 2 options for constructing payment schedules proposed in CP25/27, with some calling for greater clarity on the circumstances in which these options would be used.

12.12 Some firms raised concerns about applying a market-adjusted APR where commission was fixed, arguing that consumers in those markets were not exposed to harm linked to variable commission. Others suggested using interest rather than APR as the key variable.

12.13 Some respondents, mainly firms, also advocated for alternative data points or simpler mechanisms. Firms also noted that many of them lack the necessary records to reconstruct the actual cash flow as outlined under Option 1 in CP25/27. Several respondents raised concerns about the need under Option 2 to reconstruct a modelled or assumed cash flow, noting that making assumptions could lead to either over-compensation or under-compensation – depending on how they are applied. Some respondents from different stakeholder groups worried that firms may rely too much on Option 2 even when partial actual data exists. Some firms proposed comparing the counterfactual APR against the contractual rather than actual payment schedule.

- 12.14** Firms sought clarity on several technical areas, including early settlement handling, under- and overpayments, treatment of live agreements and ongoing interest charges, fees included in APR but not interest bearing, and irregular repayment patterns. Several firms flagged that, in circumstances where a consumer under- or overpaid during their agreement term, this could result in different redress outcomes when compared to consumers who followed the actual contractual payment schedule. Such 'edge' cases may include consumers who had payment holidays or those with altered payment plans.
- 12.15** Some firms highlighted the need for robust FCA guidance on when each option may be used.

Our response

While we remain confident that the overall approach set out in CP25/27 strikes the right balance between accuracy and deliverability at scale, we are introducing a third option for reconstructing payment schedules. Where they have it, firms will be required to use the contractual payment schedule where the actual cashflow data is missing, or where the consumer did not follow the contractual payment schedule and they did not wholly or partially settle early.

We are otherwise maintaining the approach we consulted on. We address firms' questions about specific missing data points in our response to Question 72 below.

We believe only a minority of consumers are likely to have deviated from their contractual payment schedule (other than to make early settlement payments). However, we recognise concerns that consumers may receive different redress outcomes based on whether they followed the contractual payment schedule or not. We are therefore amending our rules so that firms must only use the actual payment schedule in circumstances where the consumer settles, or partially settles, early. Where they do not, firms must use the contractual payment schedule where they have it (noting this will be the same as the actual payment schedule where consumers do not deviate from it). We are maintaining the requirement to calculate redress using the actual payment schedule where the consumer settles or partially settles early to ensure the redress calculation accurately reflects the consumer's loss, noting the significant differences early settlement payments can make to what consumers pay (and subsequently receive in redress). We believe our revised approach will result in fairer, more consistent outcomes, in line with our scheme principle of fairness.

We also recognise firms' concerns that using the amortisation formula could lead to over- or under-compensation where the actual payment schedule is missing. So, we are also amending the rules to require firms to use the contractual payment schedule where they have this and the actual schedule is missing. This is likely to be a more accurate reflection of the consumer's actual behaviour than a cashflow modelled using the amortisation formula, which remains a fallback where the contractual

payment schedule is also unavailable. The caps we are introducing to ensure the proportionality of our approach (see Chapter 11) will also guard against the risk of overcompensation in the remaining cases where firms have to fall back on the amortisation formula.

This means that to calculate the payment schedule there will now be 3 options for firms:

- **Option 1:** Based on actual cashflows. Firms must use this option where complete and reliable records exist (including actual payment dates/amounts, charges, and any early settlement transaction) and consumers settled early or partially settled early.
- **Option 2 (new):** Using the contractual payment schedule. Where they have the contractual payment schedule, firms must use this where Option 1 does not apply. This includes where consumers did not settle early or partially settle early, and where complete and reliable records of the actual payment schedule do not exist.
- **Option 3 (previously Option 2):** Modelling cashflows using the amortisation formula. This remains a fallback option, where necessary data to reconstruct actual cashflows is not available or reliable, and firms do not have the contractual payment schedule. In these circumstances, firms must construct a modelled schedule using the standard amortisation formula, the original APR, and the contractual term, assuming the agreement ran to full term (with specific adjustments where early settlement occurred and necessary inputs to calculate the early settlement payment are known).

We recognise there will still be cases where firms using Option 1 have to deal with payment irregularities. Firms should, in general, subtract the market-adjusted payment from the consumer's actual payment (whatever that was) to calculate the payment differential. But we recognise that where a consumer significantly underpays, and their actual payment is below even the market-adjusted payment, this could produce a negative payment differential. In such cases, firms must adopt the actual payment made under the agreement as the market-adjusted payment (because this is what the consumer could afford), and set the payment differential for that payment to nil.

The following example illustrates how this would work in practice.

Suppose a given payment in the contractual schedule was £100, with £80 the corresponding payment in the market-adjusted version of the contractual schedule. If the consumer's actual payment was only £50 (less than the £80 payment in the market-adjusted version of the counterfactual schedule), the firm would be required to assume the market-adjusted payment was £50, with the payment differential to be set to nil.

We recognise this approach may result in no payment differential arising in periods where a consumer underpaid. However, in such cases, there is no evidence the consumer incurred higher payments as a result of the commission disclosure-related harm in those periods, and expecting firms to make further adjustments to counterfactual payments in such cases would mean making speculative assumptions about consumer behaviour. We therefore believe our chosen approach is appropriate.

We also acknowledge the concerns raised by some stakeholders, particularly smaller firms, that the redress calculation is complex. However, as we set out in CP25/27, we think firms will choose to automate the redress calculation process using tools or applications designed to perform the calculations. We expect firms without the in-house expertise needed to build such a calculator will be able to contract third parties to build one for them. This is supported by data from Wave 6 of the Firm Monitoring Commission Survey (recently collected in January 2026) which indicates that one-off fixed costs (ie setting up automated processes) have risen and variable costs of processing agreements have dropped. The introduction of implementation periods will also give firms additional time to prepare and automate this process.

We considered the merits of including an alternative, simplified approach, including alternative suggestions put forward by respondents (eg treating the total charge for credit as if it was paid upfront on the loan start date and comparing it to what the consumer would have paid using the average counterfactual APR across the loan term). While we acknowledge that alternative approaches may be simpler, they are more likely to result in unfair outcomes for both consumers and firms. Introducing parallel redress methodologies that could be applied in the same circumstances would mean that firms calculate redress in different ways, and this would create inconsistent outcomes for consumers.

We also consider that the ability to make settlement offers (see our response to Question 23 in Chapter 11) already provides a route for firms to resolve claims quickly and at lower administrative cost, without needing to undertake the full redress calculation process in cases where the cost of doing so would not be justified. Following consultation feedback, as per Chapter 11 we have strengthened this mechanism so that settlement offers are now issued as provisional redress decisions under the scheme.

While we also recognise firms' concerns about the adjustment remedy being based on APRs instead of interest rates, we are not changing our approach. APR is a standardised measure of the cost of credit and was consistently available in the firm data used in the analysis underpinning our estimates of loss, while interest rates were not.

Where agreements are ongoing, firms should assume they run to term for the purposes of the APR adjustment, with compensatory interest only applied to payment differentials where payments have already been made.

Calculating caps to the hybrid remedy

- 12.16** As set out in Chapter 11, we are introducing 3 caps on the hybrid remedy. This means the hybrid remedy (in full) will be capped at the lowest of:
- 90% of commission plus interest, reserving the full commission repayment remedy for cases with facts similar to *Johnson*.
 - The realised total cost of credit (TCC), adjusted to account for a minimal cost of credit offered to only 5% of the market at the time (excluding 0% APR deals), recognising that consumers would have paid something for credit absent any unfairness.
 - The unadjusted realised total cost of credit, calculated on a simpler basis. This may be the lower figure where the adjusted cap results in redress which exceeds what the consumer actually paid for credit (eg because firms are missing the payment schedule data needed to accurately calculate the adjusted cap).
- 12.17** We explain how these should be calculated in more detail below. The same approach to the calculation of compensatory interest used for the rest of the redress calculation will apply to the new caps. We respond to feedback on this approach in our response to Question 69 below.

90% of commission plus interest

- 12.18** This cap is calculated by multiplying the calculated commission repayment remedy by 0.9.

Adjusted realised total cost of credit (TCC) cap

- 12.19** For all agreements with APRs at or below the specified 5th percentile threshold for the year the agreement was entered into redress defaults to nil. As set out in Chapter 11, this reflects the fact the consumer is already in a better position than they would have been had they paid the specified minimal cost of credit offered to only 5% of the market at the time (excluding 0% APR deals). It is also operationally simpler than having to calculate an adjusted TCC cap which would result in a zero or negative cap and have to be floored at nil in any event.
- 12.20** Where the APR on the agreement is above the 5th percentile threshold for the year it was entered into, this cap is the sum of the differences between each payment made under the actual agreement and the payment which would have been made had the consumer taken out an agreement at the specified 5th percentile non-zero APR threshold for the relevant year, with compensatory interest applied to each such payment differential.
- 12.21** This calculation operates in the same way as the APR adjustment component of the remedy but instead of calculating payment differentials relative to a market-adjusted APR, they are instead calculated relative to the specified 5th percentile APR. For each payment, this measures how much more the consumer paid than they would have at the specified 5th percentile threshold. Compensatory interest is then applied to each

payment differential, with the sum forming the cap on redress. The cap is then applied to the hybrid remedy in full.

- 12.22** Firms should use the same assumptions as they do for the APR adjustment component of the hybrid remedy when calculating this cap. That is, if they use the actual payment schedule to calculate the remedy, they should use this to calculate the cap. Where data is missing, they should use the same alternative values.
- 12.23** We recognise that, as with the APR adjustment component of the hybrid remedy, this is a complex calculation with several intermediate steps. However, we expect firms will be able to automate these. Because the adjusted TCC cap is effectively a variation of the APR adjustment component of the hybrid remedy, which firms would already have to calculate, we do not believe its addition materially adds to the difficulty of automating the redress calculation process. As noted in Chapter 11, firms may also make settlement offers at the hybrid remedy or either of the other 2 caps (for cases which are not similar to *Johnson*) where for operational efficiency they do not wish to undertake this calculation.

Unadjusted realised TCC cap, calculated on a simple basis

- 12.24** This should be calculated by taking the realised TCC in full (ie what the consumer actually paid in total, minus the loan principal) and applying compensatory interest from the date the agreement was entered into. While the realised TCC will in reality be made up of a series of payments over the life of the agreement, we apply compensatory interest from a single date for simplicity of calculation. Doing so from the beginning of the agreement avoids disadvantaging the consumer.
- 12.25** In cases where firms have sufficient payment schedule data, the adjusted TCC cap should generally be lower than this unadjusted TCC cap. However, we recognise there may be cases where they do not have this data and the calculation may result in an adjusted TCC cap which exceeds what the consumer actually paid for their credit (eg where they are missing early settlement data and must assume the agreement ran to term). In these cases, this relatively simple to calculate third cap acts as a backstop which will avoid the hybrid remedy giving the consumer more in redress than the consumer actually paid. It also gives firms the option to make settlement offers at this value, without having to undertake the more complex calculation required by the adjusted cap.
- 12.26** We recognise there may be cases where firms do not have the data to calculate even this cap, and we are not prescribing an alternative cap value to use in these circumstances. The adjusted TCC cap can be calculated using the same alternative value assumptions as are used in the APR adjustment remedy (set out in our response to Question 72 below) and will be lower than a presumed unadjusted TCC cap because it accounts for a minimal cost of credit.

Calculating redress in scheme cases involving more than one motor finance agreement

- 12.27** We set out in Chapter 3 how firms should consider the total amount of commission in aggregate where more than 1 motor finance agreement is used to finance a single vehicle sales transaction for the purposes of scope and liability assessment. While we did not specify this in CP25/27, we set out below how redress should be calculated where firms identify it needs to be paid in such circumstances.
- 12.28** The lender must first calculate the total amount of commission in aggregate and consider whether the definition of a very high commission arrangement is met. Where there was a very high commission arrangement, the commission repayment remedy will apply to all motor finance agreements involved in the vehicle sales transaction where: (1) there was also a tied arrangement and/or a DCA in respect of at least one of those agreements, and (2) there was an unfair relationship causing loss or damage arising from the failure to adequately disclose both the high commission arrangement and the tied arrangement and/or the DCA. The firm must calculate the commission repayment remedy for each such agreement, with the total redress payable being the sum of these amounts.
- 12.29** Otherwise, the hybrid remedy will apply to all motor finance agreements involved in the vehicle sales transaction. Where it does, the lender must calculate the overall hybrid remedy and caps that apply to it by taking the sums of the hybrid remedy and caps calculated for each individual agreement. For example, to calculate the adjusted TCC cap that applies to the overall remedy, a firm must calculate the adjusted TCC cap for each individual agreement and sum them. This cap will then be applied to the overall hybrid remedy, which is itself the sum of the hybrid remedies for each agreement. The 90% of commission plus interest cap, and the unadjusted TCC cap (where the firm has the required data to calculate it for all agreements) are applied in the same way.
- 12.30** We recognise there may be limited circumstances where firms cannot identify how the total commission payable in relation to the transaction is split between the individual motor finance agreements. In such circumstances, firms must assume it was split evenly, dividing the total amount of commission by the number of agreements, and apportioning these equal amounts to each motor finance agreement involved in the transaction.
- 12.31** Where there are multiple agreements relating to a single vehicle sales transaction, the provisions on set-off (see our response to Questions 65 and 66 in Chapter 11) will apply across all motor finance agreements in question. Lenders may set-off in accordance with the scheme rules against any of the motor finance agreements involved in the transaction.

Early settlement calculations

- 12.32** A significant proportion of motor finance agreements are settled before term. Consumers have a statutory right to settle early through the calculation of an 'early settlement payment', which incorporates a rebate of interest charges calculated on an actuarial basis. It is important this is taken into account to make sure the redress calculation reflects the consumer's loss.
- 12.33** However, the statutory early settlement formula requires detailed inputs, including the timing of the settlement and the outstanding balance at that point. These data points are essential to replicate the actuarial method required by law.
- 12.34** We proposed where this information is unavailable, firms should assume the loan ran to term, on the basis that we did not consider there are reasonable or evidence-based alternatives that would allow firms to approximate the calculation accurately.
- 12.35** We asked:

Question 68: Do you agree with our proposal that, where the necessary data to calculate the early settlement payment is missing, lenders should assume the loan ran to term? If not, please explain why you do not agree and any other options we should consider, including whether there are any reasonable or evidence-based alternatives that would allow lenders to approximate the calculation more accurately

Feedback

- 12.36** Responses to this question were mixed. Consumers, consumer organisations and law firms were generally supportive of our approach, while many lenders and brokers were not. Lenders and brokers argued that requiring firms to assume the loan ran to term where the necessary data to calculate early settlement is not available systematically overstates detriment, inflates redress, and fails to reflect actual market behaviour—particularly in motor finance, where early settlement is common. Firms warned that such an assumption would produce distorted outcomes, especially in portfolios with high early settlement rates.
- 12.37** One firm argued that redress should be reduced to reflect the proportion of total charges actually paid, compared with the total charge for credit, or alternatively an actuarial method could be used, identifying the midpoint of the loan term as the point from which compensatory interest should be calculated. They suggested that, where firms can calculate consumers' actual loss accurately, they should do so; where this is not possible, a simpler method could be used even if it produces slightly higher redress. Some consumer groups also proposed more evidence-based calculations rather than assuming all loans ran to term.
- 12.38** Firms referred to evidence that suggests many agreements are settled months and sometimes years before the contractual end dates, which means they would not have paid the full amount of contractual interest.

- 12.39** Respondents also highlighted operational constraints. Some firms explained that reconstructing cashflows for older accounts is complex due to arrears, forbearance arrangements, voluntary terminations, payment holidays and limited historical data retention. They said the FCA's approach may be unrealistic for older agreements and could delay fair outcomes. By contrast, some law firms argued that, where uncertainty exists, the benefit of the doubt should lie with the consumer because firms are responsible for maintaining adequate records.
- 12.40** Where data is missing, some firms proposed alternative approaches such as using reconstructed internal data (including bank statements or ledger records), behavioural averages, evidence from similar agreements, proxy settlement dates or external indicators (such as changes in vehicle ownership). Others suggested applying a standardised percentage of redress where uncertainty remains and sought greater clarity on how certain cases—such as fees, revised APRs, payment holidays and overpayments—should be treated.

Our response

We are maintaining the approach we consulted on. Firms will be required to assume the loan ran to term where early settlement data is missing.

We have considered firms' concerns about requiring them to assume that a loan ran to term where they do not hold the data needed to calculate the early settlement amount (including information on the timing of the settlement and the outstanding balance at that point). Given that a high proportion of loans – 53% according to our diagnostic report – settle early, we recognise the strength of firms' arguments that our proposed approach could overcompensate consumers who settled early by basing redress on the assumption that their agreement ran to term.

We have also balanced these arguments against the points raised by consumers, consumer organisations and professional representatives, who emphasised that assuming loans ran to term is necessary to avoid under-compensating consumers whose agreements ran to term, particularly where firms have not retained adequate records. We have also taken into account the need for the scheme to operate efficiently and consistently at scale.

We considered 2 possible approaches for dealing with cases where early settlement data is missing:

- We explored whether, as suggested by firms, the FCA could provide fallback assumptions based on typical settlement patterns, or allow firms to generate their own estimates (potentially segmented by factors such as contractual loan length or product type). Firms argued that this would produce fairer outcomes by ensuring redress calculations more closely reflect realistic consumer behaviour.

- We considered whether it would be appropriate to apply a 'discounting' adjustment to the redress calculation. In the motor finance context, the discount would need to reflect how far before the contractual end date loans typically settle. We examined this option alongside similar considerations for ongoing agreements and early settlement more generally, as an alternative to relying on the statutory formula.

However, we consider that either of these approaches would create additional complexity and would not achieve fair results. Any method for setting fallback assumptions or establishing a discount rate (and assumed end date) would itself be complex and would risk under-compensating consumers whose agreements did in fact run to term.

We also note that firms can, for constructing payment schedules, use contractual or modelled cashflows where full histories are unavailable. There are around 958,000 eligible agreements in DD1 with missing end dates. Of these, only around 226,000 are marked as having settled early. This suggests that while missing data is not uncommon, it represents a relatively small proportion of the overall population. Where inputs required for the statutory early settlement formula are still missing, the unadjusted realised TCC cap, referred to above, will also avoid consumers getting back more than they paid for credit where the data required to calculate it is available.

We are therefore maintaining the approach set out in CP25/27 (ie, where the necessary data to calculate the early settlement payment is missing, firms should assume the loan ran to term). We consider this to be consistent with our overall methodology for calculating redress, which prioritises workability, efficiency and consistency over fully individualised assessments of loss, noting the addition of caps intended to ensure the proportionality of our approach to the calculation of redress in the hybrid remedy reduces the risks of overcompensation.

Calculating compensatory interest

12.41 We proposed that firms would need to take the following steps to calculate the compensatory interest amount for each payment:

- **Segment the period:** Divide the total period from the date the consumer was deprived of money (eg the date of each overcharge under the APR adjustment component of the hybrid remedy, or the date the consumer entered into the agreement under the commission repayment remedy) to the date the redress is paid into calendar year segments, each with a constant average interest rate. We proposed the payment date should be assumed to be 2 months after the provisional redress decision would be sent. This reflected our proposed deadlines of 1 month for consumers to respond to the provisional determination before it became final, and a further month for the firm to pay.

- **Calculate calendar year segment days:** For each calendar year segment, determine the number of days the relevant rate applies. For example, if the rate applied for the whole year, the number of days would be the number of days in that year, that is 365 or 366.
- **Apply the formula:** For each calendar year segment, calculate interest using the following formula (where 'principal' refers to the base amount of redress, for example a refunded commission payment or a monthly overcharge under the agreement):

Calendar year segment interest amount

$$= \text{principal} \times \text{compensatory interest rate for that year} \times \frac{\text{days}}{365}$$

- **Repeat for all calendar year segments:** Perform this calculation for each segment covering the full period.
- **Sum the results:** Add together the calendar year segment interest amounts to obtain the total compensatory interest amount.

12.42 Under the APR adjustment component of the hybrid remedy, compensatory interest would be calculated for each overcharge made under the agreement (that is the difference between what the consumer actually paid and what they would have paid under the market-adjusted APR). The firm would calculate interest from the date of each overcharge to the date of redress payment, segmenting the period by year.

12.43 The same approach would apply where the redress is commission plus interest, and to the commission repayment component of the hybrid remedy, though the calculation would not need to be repeated multiple times as the commission was only paid once, assumed to be at the date the consumer entered into the agreement.

12.44 We asked:

Question 69: Do you agree with the proposed steps that firms should take to calculate the total compensatory interest amount? If not, please explain why you do not agree and any other options we should consider

Question 70: Do you agree with the proposal that the presumed date of redress payment should be 2 months from the date the provisional redress decision is sent

Feedback

12.45 Responses to this question were mixed. While many supported elements of our proposed approach, there were notable concerns regarding complexity, operational burden, and consumer understanding.

- 12.46** Consumers, consumer organisations and professional representatives tended to be more supportive of the proposed calculation method for compensatory interest (barring concerns around the level at which compensatory interest is set, and the need for it to be calculated on a simple basis, as set out in feedback to Question 63 above). They did, however, emphasise the importance of transparency and auditability, arguing that consumers must be able to verify the figures used. They called for clear, adequate disclosure of calculation dates, rates, assumptions, and any substituted data.
- 12.47** Lenders, brokers, and trade bodies provided more varied feedback. Many supported the principle of a standardised and consistent methodology. But they expressed concerns that the proposed multistep approach was overly complex, difficult to communicate to consumers, and operationally burdensome. Smaller and medium-sized firms, in particular, suggested they may face greater logistical challenges.
- 12.48** Respondents across all stakeholder groups raised issues related to the tax treatment of compensatory interest. Respondents emphasised the need for clear explanations to consumers about tax implications, including any actions required by the consumer, and processes for reclaiming tax where relevant should redress be paid net of tax.
- 12.49** Views were also divided on the proposal that the presumed payment date should be 2 months after the provisional redress decision, though this feedback centred largely on the feasibility of the payment deadline in our proposed rules rather than the presumed payment date for the purpose of the calculation itself. We consider and address this feedback in Chapter 8.
- 12.50** There were, however, divergent views on whether compensatory interest should continue to accrue until the actual payment date. Consumers, consumer organisations and professional representatives generally supported continued accrual as a means of incentivising prompt payment and preventing firms benefiting from delay. Many firms opposed recalculation to the actual date, citing the operational burden and the risk of consumer confusion where provisional and final figures differ.

Our response

We are not changing the steps required to calculate compensatory interest, which remain as consulted on, except for an amendment to clarify the denominator of the calendar year segment formula should be 366 for leap years. As set out above, these steps also apply for the purposes of calculating compensatory interest applying to the new caps.

We are, however, changing the presumed payment date for the purposes of the provisional redress decision and redress determination. We also set out our expectation that firms consider the tax treatment of any compensatory interest paid under the scheme and clearly inform consumers of any tax deductions from redress payments in our response below.

We recognise stakeholders' concerns around the complexity of the compensatory interest calculation – particularly given compensatory interest must be applied to each overpayment under the APR adjustment component of the hybrid redress calculation (and now to each payment differential in the realised total cost of credit cap adjusted to account for a minimal cost of credit). But we maintain our view that these calculations are not intrinsically complex, and firms should be able to develop automated tools or applications to perform these calculations effectively and efficiently at scale. We agree that the calculation may be difficult to communicate to consumers and that transparency is important. We will require provisional redress decisions and redress determinations to include a breakdown of the redress calculation, with the amount of compensatory interest awarded clearly specified (as set out in Chapter 8).

We agree with consumers, consumer organisations and professional representatives that compensatory interest should continue to accrue until the actual payment date. We recognise there is a risk of confusion if compensatory interest is calculated based on a presumed future payment date, which could result in the consumer receiving less money than originally offered where a lender is able to pay them before the presumed payment date. With this in mind, and considering the changes we are making to the redress determination process more generally (see Chapter 8), we are not requiring firms to calculate compensatory interest based on a presumed future payment date.

Instead, firms will be required to calculate compensatory interest up to the date the provisional redress decision is sent and, if required, the date the redress determination is sent, and recalculate compensatory interest when the payment is made. To minimise the risk of confusion, the provisional redress decision and, where needed, the redress determination should clearly specify that compensatory interest was calculated based on the date the provisional redress decision/redress determination was sent, and the final payment a consumer receives (should they accept the redress offer) may be higher.

While we note firms' concerns that calculating compensatory interest multiple times imposes additional burden, as above we maintain our view that firms should be able to automate the redress calculation and therefore do not believe that recalculating the redress payment on the day payment is made materially adds to the scheme's complexity.

We expect firms to consider the tax treatment of any compensatory interest paid under the scheme. It is our understanding that such amounts will generally be subject to income tax and that, in practice, tax is typically deducted at source at the basic rate. Firms should clearly inform consumers where tax has been deducted from their redress payment. We cannot provide tax advice, and consumers' individual tax positions may differ.

Calculating redress

12.51 We consulted on the detailed steps firms would be required to follow to calculate redress under either of the 2 options for reconstructing payment schedules considered in the consultation and summarised above. This included the minimum data firms would need to complete each step, and the alternative values they should use where the minimum data was not available at each step. The proposed minimum data and alternative values are set out in Table 9 below. This is a simplified version of Table 10 in CP25/27.

Table 9: Proposed alternative values where data needed for redress calculation is missing

Calculation step	Minimum data needed	Alternative data / values if minimum data is unavailable
1. Calculate commission repayment remedy	Amount of commission payable	Median commission payable to relevant broker in the financial year agreement written (not needed for cases where there is a very high commission arrangement or a high commission arrangement, as the amount of commission will be known)
	Date commission was payable	Date of agreement
2. Calculate the market-adjusted APR	Original APR	Median APR agreed by relevant broker in financial year agreement written
	Minimum DCA APR	Original APR × 0.83
3. Create a schedule of payments under the agreement at the original APR	Option 1	
	All data used in the consumer's original payment schedule	N/A
	Option 2 (this has become Option 3 in the final rules, following the changes made in response to feedback on Q67, set out above)	
	Original APR	Median APR agreed by relevant broker in financial year agreement written
	Original loan amount	Use valuation guide prices (eg AutoTrader, CAP, Percayso, Glass's etc) for vehicle for relevant year minus 10% to reflect a typical deposit
	Agreement start date	Vehicle registration year (if new vehicle sale) or date broker acquired the vehicle or any other information showing approximately when the broker acquired the vehicle. If the agreement end date is available, 48 months prior to the agreement end date
	Term of loan	48 months (typical length of a motor finance agreement in our dataset)
	Data required to perform statutory early settlement calculation	Assume the loan ran to term and no early settlement rebate was paid

Calculation step	Minimum data needed	Alternative data / values if minimum data is unavailable
4. Create a schedule of payments under the agreement at the market-adjusted APR	As above	

12.52 For both remedies, we also proposed that firms would need to know the amount owed by the consumers due to any arrears and defaults for the purposes of set-off and that they should be required assume this was £0 where they do not have the data.

12.53 As outlined in our response to Questions 65 and 66 above, firms will no longer be required to consider set-off amounts for the purposes of the redress calculation. They must instead apply set-off in the provisional redress decision and give the consumer the opportunity to object and demonstrate that doing so would satisfy one or more of the unfairness conditions. If the objection is successful set-off must be removed from the final redress determination. We lay out our position on missing arrears data below, which will apply to firms making set-off decisions under our new approach to set-off.

Question 71: Do you agree with the proposed scheme steps to calculate redress set out in Table 10? If not, please explain why you do not agree and any other options we should consider

Question 72: Do you agree with the proposed minimum data needed to complete each step and the proposed alternative data/values if the minimum data are not available? If not, please explain why you do not agree and any other options we should consider

Feedback

12.54 Much of the feedback to these questions focused on the redress methodology more generally.

12.55 However, we also received more specific feedback on the proposed scheme steps, most of which focused on the minimum data requirements and alternative values.

12.56 Consumers, consumer organisations, professional representatives and some firms raised concerns about the complexity of redress calculations, questioning their transparency and the potential for errors or disputes. They also suggested the redress calculation should include steps requiring firms to identify and repay any additional charges (eg for missed payments) paid by a consumer because as a result of any higher payments resulting from the inadequate disclosure of the relevant arrangements.

- 12.57** A range of stakeholders also expressed concerns about the bluntness of alternative values like median commissions and 48-month terms. They noted such methods fail to reflect the variations in commission models, loan arrangements, credit risks, and term lengths. Many such respondents called for segmentation in the missing data assumptions along these lines to avoid artificial or inflated outcomes that could disadvantage consumers or firms. Others argued for a hierarchy of data sources which firms should be required to search before resorting to FCA specified alternative values (eg firm systems and archives, broker files, credit reference agencies/debt purchaser records, and consumer records).
- 12.58** Firms argued they should be permitted to reverse engineer missing data based on other known data points. Others argued that they should be permitted to address data gaps by using statistical or portfolio-level modelling rather than having case-by-case substitutions mandated by the rules. Some also called for us to provide standardised industry average alternative values for optional use, rather than requiring firms to calculate broker-specific median commissions or APRs.
- 12.59** We also received representations from some firms suggesting a number of other data points were needed to calculate a payment schedule in full (eg balloon amounts and final payment amounts).
- 12.60** Some consumers, consumer organisations, and professional representatives expressed concerns that the redress methodology favoured firms. They also argued that firms should be required to disclose the use of any proxies and proposed the use of alternative values which are more favourable to consumers (eg 95th percentile APRs) where data was lacking to reflect concerns that missing data could be correlated with poor firms' poor behaviour. Others also expressed concerns about the risks of allowing firm-led data reconstruction, which could lead to inconsistency and under-compensation.

Our response

We are making several changes to the approach we consulted on.

We are amending our rules to align the approach to filling data gaps with our approach to gathering records and information elsewhere in the scheme, and specifying the steps firms should take to gather evidence before relying on reconstructions or alternative values. We are also amending our rules so that firms have the option to seek data from consumers or third parties such as credit reference agencies (CRAs) where it is missing, and are required to reconstruct data using information relating to consumers in a sufficiently similar position to the consumer for whom information is missing before relying on specified alternative values. We also make a number of minor amendments to specific alternative value requirements.

Steps to calculate redress

While we recognise that the number of steps in the redress calculation add complexity, we continue to expect, as we set out in CP25/27, that firms will develop automated tools or applications to perform these calculations accurately and efficiently at scale. As covered in

our response to Question 67, we continue to believe the accuracy of a payment schedule reconstruction justifies the effort involved.

We also recognise that the remedy does not explicitly account for any additional charges a consumer may have faced because they were unable to keep up with inflated payments. But it would be very difficult in practice to demonstrate these are the result of overcharges resulting from the inadequate disclosure of relevant arrangements. Introducing a process to assess such losses would add significant complexity to the scheme. We believe the approach to calculating redress we consulted on, prioritising workability, efficiency and consistency over individualised assessments of loss, remains appropriate.

Evidence gathering requirements

We also thought carefully about the steps firms should take where data required to complete the redress calculation is missing.

We are amending our rules to apply similar requirements to elsewhere in the scheme for firms to consider information contained in primary records and then, where appropriate, consider whether reasonable assumptions can be made regarding the consumer's motor finance agreement by relying on other types of contemporaneous records specified in our rules. This will help ensure firms take a consistent approach to filling data gaps across the scheme, and avoid firms using different values for the same data points at scope and liability assessment stage from those they use to calculate redress. We have also amended our rules to require firms to request necessary records from credit brokers where they do not have them as is the case elsewhere in the scheme.

We recognise firms may be able to obtain missing data or evidence from consumers themselves or third parties such as CRAs. Firms may therefore opt to contact consumers or third parties such as CRAs where they are still missing data after the above steps. Where firms do contact consumers or third parties and they are still unable to fill gaps, firms will have to default to the alternative values set out below.

We considered whether firms should be required to contact consumers and third parties where data is missing in all cases. However, we believe flexibility for firms is important in the interests of having a scheme which can work quickly and efficiently at scale. Having to contact consumers or third parties, who may not have the relevant records, for all missing data points (even where there are reasonable alternative values firms can fall back on) could significantly delay redress calculations and so undermine the scheme principle of timeliness. Consumers will still have the opportunity to object to the firm's calculation when they are issued with a provisional redress decision.

The only exception to this optional approach to gathering missing data from consumers and third parties relates to missing loan amounts. In those cases, as set out in Table 10 below, a lender is required to contact

both a relevant third party and the consumer to obtain the missing loan value data where they are unable reconstruct a valuation using motor finance agreements and/or information relating to sufficiently similar consumers (in line with the requirements set out below), or to identify a valuation for the vehicle for the relevant year (the primary prescribed alternative value). As we set out in Table 10, we consider the risk of under-compensating consumers is greatest.

Steps to fill data gaps where records are missing

We are also amending our rules to set out the steps firms should take where, having taken the above steps, the information needed to calculate redress continues to be missing.

Firms must first, where appropriate, reconstruct the missing information using specified categories of contemporaneous records relating to other consumers. Those other consumers must have been in the same or a sufficiently similar position as the person for whom the information is missing, such that they would have received an APR which was the same or substantially similar to the APR the consumer in the scheme case received. In making this determination, firms must consider the:

- year of the transaction
- type and value of the vehicle purchased, bailed, or hired
- amount of credit obtained
- cost of that credit relative to the value of the vehicle

This aligns with options open to firms elsewhere in the scheme, and should help ensure the alternative values firms rely on more closely resemble the features of the agreement in question than the prescribed alternative values we consulted on, which take a more standardised approach so they can be applied consistently at scale.

We considered whether a more general rule permitting firms to reconstruct missing data points using their own methodology would also be appropriate. But we believe this risks inconsistent redress outcomes, potentially to consumers' detriment, by giving firms wide discretion to determine the values of data points critical to the redress calculation.

We also considered whether we could reasonably prescribe alternative reconstruction methodologies. But we do not think this would be feasible to incorporate into rules in a way that is workable, given different firms will have different systems and gaps in their data.

We also considered suggestions that firms should be allowed to fill data gaps using aggregated samples or portfolio-level modelling instead of case-by-case substitution. But we do not think this is a suitable approach. As with reconstructions of missing data points, allowing firms to specify their own methodology at a portfolio level risks inconsistency, and we think it would be challenging to specify an appropriate methodology in rules that works for all firms.

For the avoidance of doubt, where a firm can calculate with certainty the exact value of a given datapoint using primary records or can make

reasonable assumptions from other contemporaneous records (eg they know the commission was a fixed percentage of the loan value, and they have the loan value) we would not consider this a reconstruction and would expect the firm to use this in the redress calculation. It is only after considering primary records and reasonable assumptions from categories of contemporaneous records specified in our rules (and having contacted the consumer or a third party such as a CRA, if the firm chooses to do so) that we would expect them to rely on the alternative approaches to missing information. First by using motor finance agreements and information relating to consumers who are in the same or a sufficiently similar position as the consumer for whom information is missing, then by adopting an alternative value specified in rules and as set out below.

Prescribed alternative values

We recognise that having followed the steps above, there may remain some cases where firms are missing the data required to undertake the redress calculation. We are therefore maintaining a list of prescribed alternative values for where data gaps still remain after the steps set out above have been taken. We set out how we have considered feedback on these below.

We considered whether, in response to feedback that our prescribed alternative values failed to reflect the differences in business practices and business models, it would be appropriate to provide more granularly segmented alternative values. We consider the changes to our rules set out above, which will allow firms to use information relating to consumers who are in the same or sufficiently similar position as the consumer for whom the information is missing to fill gaps, will help address these concerns. Providing additional segmented alternative values on top of this would likely have limited benefit and would add significant complexity to the scheme, making it harder for firms to operationalise and for us to effectively supervise. So, we are not introducing segmented proxies.

We also considered suggestions we should provide alternative values for other missing data points. While we recognise there are other data points that may feature in a full payment schedule, we do not think it is necessary to provide alternative values for them in the rules where data is missing. When calculating the APR adjustment to use in the hybrid remedy, Option 2, in which firms use the contractual payment schedule, or Option 3, in which firms model an alternative payment schedule using the standard amortisation formula, with the alternative values specified below, allows firms to run the APR adjustment calculation where they are missing full payment schedule information. We recognise this may not perfectly reflect real-world payment schedules, but it is a pragmatic approach that should be easy for firms to implement consistently at scale. The changes set out above will also reduce the number of instances in which firms must rely on prescribed alternative values.

Our approach to missing early settlement data is set out in our response to Question 68 above. We address feedback in relation to the other specific data points required for the redress calculation in Table 10 below.

Table 10: Response to feedback on specific alternative data values

The alternative values set out in the table below should only be relied upon after firms have taken the steps set out above – this includes the firm having the option to check with a third party such as a CRA, or the consumer themselves, where they are missing data.

Alternative value and rule reference	Final position and response to feedback
Missing APR or commission amount Scheme 1: CONRED 6.4.33R(1) and 6.4.33R(2) Scheme 2: CONRED 5.4.33R(1) and 5.4.33R(2)	We are making a minor amendment to the proposal we consulted on. Firms must still use the median commission or APR of all motor finance agreements entered into by the lender following an introduction by the relevant broker in the financial year the motor finance agreement was entered into. However, where a lender is unable to obtain a broker-specific median commission or APR, they will be able to use a median from another broker they worked with at the time of the transaction who the lender offered the same or sufficiently similar terms of business to. We considered feedback suggesting we should provide standardised industry-average datasets for use by the firms instead of broker-specific medians, but do not think this would be appropriate given the wide variation in practices and business models across the motor finance market. We continue to believe broker-linked medians are more likely to reflect the characteristics of a consumer's agreement than a generic industry average. We recognise that there may be limited instances where a lender does not possess or cannot obtain broker-specific data. As such, we are amending our rules to allow firms to rely in such cases on median commissions or APRs from another broker they worked with at the time of the transaction. While we have considered and recognise concerns that using median values risks undercompensating certain consumers, we believe using very high alternative values risks imposing a disproportionate burden on firms. While the introduction of caps goes some way towards mitigating this, in situations where lenders are missing data on APRs or commissions it is unlikely they will be able to accurately calculate these. We acknowledge that some agreements may have had higher APRs or commissions than the lender identified broker-specific median values, but believe the use of medians remains consistent with our overall approach to redress under the scheme.

Alternative value and rule reference	Final position and response to feedback
Missing total amount of credit Scheme 1: CONRED 6.4.33R(3) Scheme 2: CONRED 5.4.33R(3)	We did not receive any strong objections to using motor valuation guide prices as an alternative value for the total amount of credit (original loan amount). However, we recognise that there may be cases where the valuation of a vehicle for the relevant year could be unavailable using the valuation services a firm has access to. We are therefore amending this rule so that, where the firm cannot obtain a valuation for the correct year, they must contact the consumer for evidence of the loan value and check whether it can be obtained from a third party such as a CRA. Where they are still unable to obtain the total amount of credit, they will then be able to resort to an alternative valuation using the closest available year to the agreement start date. Given the significant depreciation in vehicle prices, we consider it appropriate that firms are required to seek this information from an alternative source before relying on an alternative value to minimise the risk of materially under-compensating consumers.
Missing agreement start or execution date Scheme 1: CONRED 6.4.33R(4) Scheme 2: CONRED 5.4.33R(4)	We are making several minor amendments to the proposals we consulted on. We also clarify the terminology used in the rules to make clear this assumption applies to both the execution date and the actual agreement start date (if different) where values are missing. Where the start or execution date for the motor finance agreement is missing, the lender must first use the first day of the month in which the lender has evidence of the consumer first making a payment or charges applying under the agreement. This is likely to be a more accurate reflection of when the agreement was entered into than an alternative value based on a standardised term length. If there is no such evidence, firms will then be required to calculate the agreement start or execution date based on the contractual length of the agreement and the date the last regular payment was due under the agreement (where both are known). This is again likely to be a more accurate reflection of when the agreement was entered into. Where it is not possible to determine the start date or execution date using either of these methods, firms must rely on: • For new vehicles, the first day of the time period associated with the vehicle's registration. We are amending our rules to clarify the exact dates. Firms should use 1 March for vehicles registered between 1 March – 31 August, and 1 September for vehicles registered between 1 September – end of February. • For used vehicles, any information that indicates when the credit broker acquired the motor vehicle (eg date of purchase). Where it is not possible to determine the start or execution date in accordance with the above, we are retaining a final alternative value of 48 months prior to the date the last regular payment was due. We continue to believe that where other alternative values cannot be relied upon, a 48-month proxy is suitable. This term length was derived from our LLD dataset, where the average loan term was 47 months with a median of 48 months.

Alternative value and rule reference	Final position and response to feedback
Missing agreement end dates Scheme 1: CONRED 6.4.33R(5) and 6.4.33R(6) Scheme 2: CONRED 5.4.33R(5) and 5.4.33R(6)	We are making minor amendments to the proposals consulted on, aligned with our approach for agreement start or execution dates set out above. We also similarly amend the terminology used in the rules to clarify what these alternative values apply to, and separate out the assumptions firms should make based on actual and contractual end dates. When the date the last regular payment was due or the date by which any fee associated with taking ownership is due to be paid is missing the firm must use the latest of: • the last day of the month in which the lender has evidence of the consumer making a final payment or final charges applying under the agreement; or • a duration of 48 months beginning with the start date of the agreement or date the agreement was executed When the date the agreement actually came to an end is missing: • Firms will be required to calculate this based on the last day of the month in which the lender has evidence of the consumer making a final payment or final charges applying under the agreement, where there is such evidence. • If there is no such evidence, firms must calculate this based on the contractual length of the agreement and the start date of the agreement or date the agreement was executed. • If it is still not possible to determine the end date, the firm must use the day 48 months after the start date or the date the agreement was executed.
Missing lowest rate of interest for DCA Scheme 1: CONRED 6.4.33R(7) Scheme 2: CONRED 5.4.33R(7)	As set out in the preceding chapter, while we recognise respondents' concerns about our analysis of loss, we are largely maintaining the position we consulted on (albeit with different APR adjustments for the 2 schemes). As such, the alternative value where the lowest rate of interest for a DCA is missing will continue to be the agreement's APR adjusted downwards by the relevant APR adjustment (21% for Scheme 1 and 17% for Scheme 2). We are, however, amending our rules to allow firms to use the median lowest DCA rate under all agreements entered into by the lender following an introduction by the relevant broker where they are able to obtain this, or, where they cannot, the median minimum rate associated with a broker to whom the lender offered sufficiently similar terms of engagement or business, for the financial year in which the motor finance agreement was entered into.

We are also maintaining the position we consulted on under which firms must assume £0 in arrears/defaults where they do not have the data for that consumer. We recognise there is an argument that this could result in windfalls in cases where firms may otherwise have been able to set-off redress against arrears/defaults. However, as discussed above, we believe allowing generic reconstructions of missing data points risks inconsistency and, particularly in this case, poor consumer outcomes should firms' reconstructions overstate arrears amount. We also expect there are likely to be very few cases where this data is not available

Chapter 13

Supervision, reporting and oversight

- 13.1** In this chapter we explain how we intend to oversee how firms are following the scheme rules and acting appropriately. To help firms in achieving this, we are also providing clarity around our specific expectations and requirements of them. We set out our supervisory approach in relation to professional representatives (PRs) and brokers in Chapter 6.

Principles of our supervisory approach

- 13.2** In CP25/27, we said we would expect the relevant firms to deliver the following actions:

- Firms accurately identify and effectively contact their affected population of consumers (with support from third parties where required).
- Firms gather appropriate information to assess whether agreements are in scope of the scheme and liability (with support from brokers where required) and reach appropriate decisions.
- Redress calculations are accurate, and payments are made quickly.
- No undue delay at any stage of the proposed redress scheme; and
- Where issues are identified, they are remedied swiftly and robustly.

- 13.3** We said that where there is a material failure by a firm to take actions required under the scheme, we can:

- Appoint a competent person, to take steps by, or on behalf of, the FCA.
- Impose requirements on firms to take specific actions (for example, by requiring a lender to appoint a competent person to check their redress calculations for a period to ensure they are accurate).
- Use enforcement powers, including to issue financial penalties or public censure, for serious or persistent breaches.

Question 77: Do you agree with our proposed Supervision strategy? If not, please explain why you do not agree and what alternative options we should consider

Feedback

- 13.4** There was high level support for the FCA's proposed supervision approach, with many firms explicitly agreeing with it in principle. However, even among firms expressing agreement, there was consistent emphasis on the need for it to be delivered in a way that was proportionate, collaborative, and sensitive to operational realities, particularly for smaller or closed-book firms.

- 13.5** Firms raised concerns that aspects of the supervision model may be overly prescriptive, with strict reporting timelines and granular data requirements that could disrupt the cadence of scheme delivery. The view was that supervisory expectations felt designed around the operational capability of the largest firms, with smaller firms likely to face disproportionate burden. Several firms reiterated that prescriptive reporting or tight timelines may result in incorrect assumptions or unnecessary operational pressure, diverting resources away from delivering fair redress outcomes.
- 13.6** Firms told us the expectations placed on them, such as scheme steps being carried out with 'no undue delay', should be clearer and more objective to prevent inconsistent interpretation across the market. Firms emphasised the importance of supervision being risk-based and aligned with existing FCA powers, with some expressing support for the use of skilled persons where proportionate, especially during the scheme's early phases.
- 13.7** Several respondents noted that strong FCA oversight is essential to maintain public confidence, but stressed that effectiveness depends on collaboration with industry, not heavy-handed intervention. Additional responses also showed support for having a responsible Senior Manager to ensure internal accountability.

Our response

We welcome the strong overall support for the supervision approach. We are maintaining the overall approach set out in CP25/27. This is aligned with the supervisory principles set out in the [FCA's Approach to Supervision](#), and will take account of firms' size, business model and the potential impact on consumers. We will be proportionate, data-led, and risk-based in our supervision.

During the implementation periods we intend to support and engage with firms on their approach to key scheme steps. Firms will be required to provide a Scheme Implementation Plan at week 6 alongside their delivery forecast (the detail and content of this plan is set out in Question 79). Senior managers will be responsible for approving their firms' approach and attesting to their readiness before plans are submitted. We encourage firms to engage with us early if they have questions about their approach or ability to deliver within scheme timelines.

Where firms intend to start the scheme before the end of the voluntary implementation period, they must notify the FCA and provide the information required at the 6-week point at least 15 working days before they start processing cases. Early starters are expected to hold robust internal evidence with a high degree of confidence in its reliability and their legal position before relying on exceptions or rebuttals and ensure that the accountable Senior Manager oversees the use of these measures.

Use of rebuttals or exceptions will be subject to scrutiny. Where emerging patterns of behaviour raise concerns supervision will intervene directly for example by carrying out file reviews, data monitoring or thematic work

or other means to address non-compliance. We may request detailed evidence of how firms have satisfied themselves of the appropriateness and robustness of their approach. This may include evidence of second-line oversight or third line (or independent audit) assurance of their approach.

A key principle of the scheme is that redress is effective, timely and fair. Respondents sought clarification on the expectation to avoid 'undue delay' at any stage of the proposed redress scheme. As set out in our Dear CEO letter and in CP25/27 (§10.11), we expect firms to have taken certain preparatory steps in advance of the publication of this PS. There are also implementation periods for each scheme to give firms time to build the systems, processes and controls to deliver the scheme. The scheme rules provide defined timelines for each key step (see Figure 1: overview of how the scheme works), including deadlines for contacting consumers, depending on whether they have complained before the scheme starts. We expect firms to take steps without delay and, in all cases, within the specified deadlines. Where firms anticipate delays or challenges in completing scheme steps, they should engage with Supervision promptly.

Some scheme steps may require information from brokers. Brokers are required to provide support to lenders with requests for information (see Chapter 6, including the sections on the role of brokers, complaint routing, and the one month response time for Question 19). Where lenders or brokers encounter, or anticipate, any difficulty in meeting these timelines, we expect them to engage with Supervision at an early stage. Where we identify non-compliance, we will deploy our supervisory tools to intervene, diagnose the cause, and ensure the delivery of appropriate consumer outcomes.

We considered suggestions for a tiered supervisory model for smaller firms. However, we already apply proportionality in our general supervisory approach. Proportionality is better achieved through a data-led, risk-based approach. Proportionality will be achieved through supervisory engagement, prioritisation and the use of information. We consider this approach to be more effective than creating separate legal obligations linked to tiered supervision.

Some respondents saw value in targeted deployment of skilled persons to provide assurance during the early scheme phases, others sought clarity on their use when firms had employed third parties for external validation. As set out in the CP, we may use a skilled or competent person where we want further clarity or see evidence that firms are not complying with the scheme steps. Firms may also choose to use third party support voluntarily. If firms seek to rely on the non-operative ties rebuttal, we will require firms to obtain third line or independent verification. Where firms outsource scheme provision we remind them of their duties under SYSC in the Handbook, including to conduct due diligence in their choice of supplier, to actively manage

the relationship and take reasonable care to supervise the discharge of outsourced functions.

We note respondents' emphasis on internal accountability and continue to consider a designated Senior Manager responsible for scheme delivery to be important.

Financial Resilience

- 13.8** We have previously reminded firms, including through Dear CEO letters in [April 2024](#) and [October 2025](#), of their obligations to maintain adequate financial resources, including for potential redress liabilities.
- 13.9** In CP25/27 we said that firms are expected to:
- Make thorough preparations for the scheme.
 - Ensure they have sufficient financial and non-financial resources to deliver it effectively.
 - Maintain adequate financial resources and be capable of meeting liabilities as they fall due, in line with the FCA's Threshold Conditions and Principles for Businesses.
- 13.10** We said that, with a view to FG20/1, firms should evaluate the impact of any capital reductions, such as dividend payments, on their ability to meet future obligations, including those arising from motor finance redress.
- 13.11** Under Principle 11, firms must deal with the FCA openly and cooperatively, notifying us via SUP 15 if they anticipate difficulties in meeting liabilities or if planned transactions may materially affect their financial position.
- 13.12** Although lenders may seek restitution from brokers in cases of inadequate disclosure, we said that these commercial arrangements do not relieve lenders of their responsibility to maintain adequate resources or to meet required consumer payment timescales under the proposed scheme.

Reporting requirements

Delivery forecast

- 13.13** We proposed that firms send us a scheme delivery forecast 6 weeks after our final rules are published. We said lenders' delivery forecasts must include:
- The name and contact details of the Senior Manager responsible for oversight and overall delivery of the scheme.
 - Attestations from an appropriate Senior Manager confirming their firm has robust processes, systems and controls in place to:

- successfully identify the starting population of potentially impacted consumers
 - identify the firm's own records required to assess scheme claims
 - obtain records required to assess scheme claims where these are not held by the firm.
- Number of agreements in the firm's starting population.
 - The monthly forecast of the number of agreements to be processed per month, until all motor finance agreements have reached the end of the scheme.
 - How many letters will be sent inviting the consumer to opt into and out of the scheme.
 - How many cases (existing, new, or Financial Ombudsman complaints and opt-in cases) will be assessed and closed (based on existing portfolio of complaints, and assumptions for opt-in case/new complaint volumes).

Cash flow forecast for redress payments.

- 13.14** We said that where a person has acquired a loan portfolio and redress obligations transferred under the sale, that person will need to provide us with details of who will be completing the obligations under the scheme within 1 week of the start of the scheme.

Regular data reporting to the FCA

- 13.15** We proposed that firms provide data to the FCA monthly to demonstrate progress, adherence to delivery forecasts, and compliance with our requirements.
- 13.16** We said we may request the submission of more detailed data from firms, on an ad-hoc basis, or where we have identified concerns, exercising our formal information gathering powers where necessary.

Data publication

- 13.17** During our pre-consultation with firms, they were supportive of publishing data to demonstrate progress under the scheme on an anonymised or aggregate basis. At the time, firms raised concerns around the publication of firm specific data, suggesting doing so could be misleading without context, and could potentially lead to market volatility.
- 13.18** We proposed to publish the following data for each firm every 6 months during the scheme:
- Number of cases dealt with under the scheme.
 - Number of scheme cases closed during the period.
 - Number of scheme cases where a redress payment was made during the period.

Question 78: Do you agree with the data we propose to gather to help us understand progress under the proposed scheme, compliance with the proposed scheme rules and monitoring of financial resilience? If not, please explain why you do not agree and what alternative options we should consider

Question 79: Do you agree with our proposed reporting frequency? If not, please explain why you do not agree and what other reporting frequencies we should consider.

Question 80: Do you agree with our proposal to publish certain data on firms' progress during the scheme? If not, please explain why you do not agree and what alternative options we should consider

Feedback

Question 78: Data gathering

- 13.19** There was broad consensus on the necessity for effective, efficient, and proportionate data collection to underpin our supervision of the scheme. Consumers and consumer organisations were especially clear that the success of the scheme is dependent on robust oversight, seeing strong supervision as fundamental to protecting consumer rights.
- 13.20** Concerns were raised regarding the scope and frequency (further covered under Question 79) of the required submissions. Challenges from industry included excessive granularity, operational burden, data reliability risks, and uncertainty about the practical value of some data points, although feedback on which specific data points could be omitted was limited.
- 13.21** One firm estimated that complying with the FCA's data requirements will involve engineering and validating data feeds from multiple sources, adding complexity and overheads, with projected costs in the region of £250,000. A trade association raised the issue of disproportionate burden on smaller firms, warning of inequitable regulatory impacts. Some industry respondents questioned the requirement for a delivery forecast submission within 6 weeks of scheme implementation, noting that firms may not have had sufficient time to trace all affected consumers. Some respondents said that Senior Managers may not be able to reasonably attest to the quality of information at such an early stage, especially as projections are reliant on assumptions about consumer behaviour, potentially undermining their accuracy.
- 13.22** To avoid duplicative reporting under existing PRA supervision requirements, one firm recommended that financial resilience reporting for dual regulated firms be removed. One firm noted the inability to deliver accurate forecasts due to 'unnecessary opt-in/opt-out proposals' and the requirement to go back 18 years. They suggested 'auto opt-in' to remove the need for firms having to contact non-qualifying consumers and, therefore, reduce relevant reporting in this area.

Our response

We acknowledge concerns from stakeholders regarding operational burden, duplication, and the difficulties arising from the opt-in and opt-out proposals in our CP. We are broadly maintaining the data gathering requirements relating to financial resilience and delivery forecasts that we consulted on. We have made refinements to these requirements. These refinements, coupled with other changes to the scheme (such as the reduction in the number of consumer communications firms are required to make, as set out in Chapter 7) mean that we do not consider the scope of data required to be unduly burdensome or beyond what firms would reasonably collect for their own effective governance and oversight of the scheme.

Reliable, timely data is essential to effective supervision of the scheme, enabling us to monitor delivery, assess compliance, support timely redress and maintain confidence in the scheme. Firms are expected to retain and report sufficient information to support effective oversight of scheme delivery, including progress against forecasts, adherence to key timelines and consumer outcomes, and to enable early identification of emerging risks or slippage the monthly reporting requirements have been amended. We have streamlined the data requirements, focusing on information directly linked to our supervisory objectives. However, the increased reliance on firm judgement within key scheme steps has required some additional data to ensure effective oversight. Reporting requirements have also been updated to reflect final policy decisions and operational efficiencies, including changes to consumer communications and delivery across the 2 voluntary implementation periods. Key changes are set out below:

New 15 working day notification requirement

Within 15 working days of publication of this PS, lenders must notify the FCA whether they intend to use the implementation period for Scheme 1 and/ or Scheme 2 and provide the name and contact details of the Senior Manager responsible for scheme oversight.

Early start notification

Lenders that do not intend to use the voluntary implementation period and plan to begin assessing motor finance agreements and taking scheme steps between publication and week 6 must also notify the FCA at least 15 working days before their intended start date and submit the 6-week forecast, including the Scheme Implementation Plan. Lenders that begin processing cases under the scheme before the end of the implementation period must submit monthly reporting from that point.

Scheme Implementation Plan

The Scheme Implementation Plan will help us to assess firms' readiness and inform prioritisation of supervisory engagement. The Scheme Implementation Plan must set out each firm's approach to key scheme steps, its policies and procedures for handling scheme cases (including outsourcing), managing multiple representatives, outsourcing, automated processes and assuring the quality of outcomes. Firms will also be required to

provide details of their approach to grouping of cases and their approach to making cohorts or group-based decisions about cases.

Amendments to 6-week forecast and monthly reporting

The 6-week forecast and monthly reporting requirements have been updated to reflect the introduction of 2 schemes, the implementation periods, revised consumer communication requirements, changes to relevant arrangements, the de minimis thresholds, the evidenced carve-out for captive and white-label lenders, and updates to rebuttals and evidential standards. PRA-regulated firms will no longer be required to submit financial resilience data.

One-off information requirement

At the 6 week point firms will be required to report one-off information about the number of motor finance agreements in their starting population, the complaints received prior to the scheme effective date, and whether those complainants have professional representation.

A Senior Manager is required to attest to the firm's readiness to take steps to implement the scheme. If senior managers envisage any issues with provision of this attestation at this point, they should contact the FCA.

Monthly baseline report (vs forecast)

Lenders must provide a baseline monthly report, which provides the actual numbers of scheme cases processed, and a detailed monthly report which requires additional information that the lender is not required to forecast but which is necessary for scheme supervision. The lender needs to provide the detailed information only where this becomes available to the lender as cases progress through the scheme.

Some new data items have been added for the forecast or baseline information and the monthly report, while others have been removed where they no longer align with the final rules. Visibility of firms' liabilities and financial resources remains important, particularly for firms with high redress exposure. We have taken into account representations from dual regulated firms and will not be asking them to provide financial resilience data to avoid unnecessary burden and overlap. We have also introduced data points to understand how the involvement of PRs may impact the timeliness of the scheme or scheme outcomes

Feedback

Question 79: Reporting frequency

- 13.23** There were diverse opinions on data submission frequency. Consumers and consumer organisations advocated for frequent and transparent reporting intervals, highlighting the importance of timely issue identification and fair outcomes for consumers. They emphasised that transparency is essential to building trust and securing prompt, fair redress.

- 13.24** Industry representatives and firms expressed concerns that monthly reporting is disproportionate and presents an undue operational burden, particularly for smaller and lower-risk firms. They recommended that we maintain effective oversight without imposing excessive reporting requirements. While supporting the principle of regular reporting, they stressed that the volume of data required should be reasonable and proportionate. Many firms suggested that quarterly, rather than monthly, submissions would be more manageable, allowing resources to be focused on processing consumer claims and ensuring the cost effectiveness and timeliness.
- 13.25** Some stakeholders suggested aligning reporting with the quarterly regulatory cycle, while others requested clearer submission guidance. A smaller firm recommended 6-monthly reporting instead. Several respondents favoured a phased approach, estimating implementation would require 12–18 weeks if started early. One large firm called for a 6-month implementation delay before the start of the scheme to allow time for operational preparations. One firm suggested an alternative approach: implementing a rolling 3-month delivery forecast and introducing a 6-month implementation period prior to the 6-week forecasting obligation. They argued that firms should be allowed to provide caveated attestations, confirming that appropriate arrangements under SYSC are in place, while acknowledging the complexity and volume of relevant considerations. Again, some firms pointed out that a longer timescale and phased implementation will be necessary to manage these challenges effectively.

Our response

In CP25/27, we proposed monthly reporting to support close supervisory oversight, early identification of risks or slippage, and monitoring of firms' delivery against forecasts. Having considered feedback, and taking into account the introduction of implementation periods for Schemes 1 and 2, which should address some of firms' operational concerns, we are maintaining our proposal. We believe that monthly reporting provides the most effective balance between transparency, oversight and deliverability, taking into account the scale of the scheme, its potential market impact and our statutory responsibilities.

We considered alternative approaches suggested by firms, including tiered or quarterly reporting for smaller firms, but concluded that less frequent reporting would not provide sufficient visibility to monitor delivery or identify emerging risks. Proportionality will instead be achieved through a risk-based supervisory approach, including flexibility in engagement where we identify potential harm or outliers.

We are maintaining our proposed requirement that, 6 weeks after publication, all firms must submit an initial delivery forecast, which will now include a Scheme Implementation Plan (see Chapter 7). Monthly reporting is due one month after the scheme commences, or for early starters, 1 month after they start to process redress, and continue until scheme steps are completed, with firms using an implementation period submitting 'nil' returns until processing begins.

While we have streamlined the data list as much as possible, additional data reporting requirements have been introduced to reflect the greater degree of judgement for arrangements with ties, including rebuttals, that we have built into the scheme. Confirmed reporting windows will be fixed each month so firms report against consistent time periods.

Feedback

Question 80: Data publishing

- 13.26** We received a wide range of views on publishing data about firms' progress during the scheme. Consumers and consumer organisations supported publication of firm-level information, emphasising that transparency is important to rebuild trust and help consumers understand how the scheme is progressing. They considered that firm-level publication would help demonstrate delivery, support consumer engagement and provide assurance that outcomes are fair and consistent.
- 13.27** In contrast, many firms and industry bodies raised concerns that firm-specific publication could be misleading or result in unfair reputational impacts, because apparent differences in performance may reflect factors such as firm size, customer base, product mix, historic portfolio composition and operational models, rather than compliance or consumer outcomes. They also highlighted risks of misinterpretation and misuse by third parties (including the media and PRs, drawing on their insights and experiences from previous redress exercises).
- 13.28** Some respondents suggested limiting publication to aggregated, industry-level data only, or applying a threshold so that firm-specific publication does not apply where very small numbers could lead to misleading conclusions or sensitivity concerns.

Our response

Having considered the feedback, we are maintaining our proposal to provide transparency on scheme progress. We believe that transparency supports accountability and public confidence. It contributes to the effective delivery of our statutory objectives of securing an appropriate degree of protection for consumers and protecting and enhancing the integrity of the UK financial system.

We also recognise the concerns raised regarding interpretation, comparability and potential market impacts. The information published will therefore be factual, and drawn from reporting that firms are already required to submit under the schemes. It will be presented with appropriate context to mitigate the risk of simplistic comparisons or distortions arising from inherent differences in firm size, portfolio composition, or business models.

Our data publication does not impose additional requirements on firms, ie firms will not be required to submit additional information

solely for this purpose. Any disclosure will be undertaken in accordance with our statutory framework, including relevant obligations relating to confidential and/or market-sensitive information. Firms remain responsible for complying with their own legal and regulatory obligations.

Subject to our statutory obligations, we intend to publish periodic information about scheme implementation and progress, including volumes and redress metrics. Our intention is to provide proportionate transparency while avoiding unnecessary burden and mitigating the risks of misinterpretation or unfair comparisons.

Firm Senior Manager Accountability

We proposed that:

- Firms appoint one or more suitable Senior Manager (under the Senior Managers and Certification Regime) to have overall responsibility for oversight of the delivery forecast and compliance with the scheme rules for their firm.
- An appropriate Senior Manager attests to the firm's preparatory steps for the scheme (robust processes, systems and controls in place to successfully identify the starting population, identify firm records, and plug information gaps).

We also proposed that we may require further attestations as the scheme progresses to ensure delivery of the outcomes we expect.

Question 81: Do you agree with our proposal to require a Senior Manager at the lender to take responsibility for overall delivery and oversight of the scheme at their firm and for its preparatory steps? If not, please explain why you do not agree and what alternative options we should consider

Feedback

There was strong sector-wide support for assigning overall scheme accountability to a Senior Manager. Firms acknowledged that visible leadership and clear responsibility are essential for scheme governance and consumer trust. However, concerns centred on whether the role, as proposed in CP25/27, placed unrealistic personal and operational burdens on a single individual – particularly given the volume of activity during mobilisation, the scale of forecasting required, and the rapid attestation cycles proposed.

Firms also highlighted the need for greater clarity on how SMCR's 'reasonable steps' standard applies in a high-volume, tightly-timed redress scheme. Without clearer parameters, firms were concerned about inconsistent supervisory expectations and the risk of unfair regulatory exposure. Many respondents expressed doubts that the proposed timelines for delivery forecasts, cash-flow projections, and first-phase attestations were feasible, especially those with legacy systems or complex case backlogs.

Some firms also questioned the proportionality of public transparency measures such as publishing names of the responsible Senior Manager, noting potential unintended

consequences for individuals. Others encouraged targeted use of third parties to support Senior Manager assurance and mitigate personal accountability pressures.

Our response

Overall, we are maintaining our proposal that a suitable Senior Manager be appointed to have overall responsibility for oversight of the delivery forecast and scheme compliance.

We remain of the view that requiring each firm to appoint a designated Senior Manager with overall responsibility for compliant scheme delivery and preparatory steps is essential to ensuring robust oversight, effective governance and accountability. Senior level accountability provides clear ownership of delivery while allowing firms flexibility in how responsibilities are supported operationally.

We acknowledge that some scheme administrators may not have a Senior Manager (namely unauthorised debt purchasers and insolvency practitioners stepping into the shoes of the lenders). In these circumstances, we would expect a comparable senior person in a managerial position to take overall responsibility. It is open to firms whether they choose to put in place appropriate governance arrangements, including delegating activities to other individuals or functions, while retaining overall accountability with the designated Senior Manager. Some firms may also choose to use third party support to provide additional assurance.

As set out in Chapter 7, to address wider concerns about scheme feasibility, we have introduced implementation periods to allow firms time to allocate responsibilities, adjust governance arrangements and put supporting structures in place. Firms will, however, still be required to provide an attestation and detail on their approach to scheme cases at the 6-week delivery forecast point (that is, 6 weeks following the publication of this PS).

Regarding the SM&CR 'reasonable steps' standard, we do not consider further clarification is needed. The SM&CR reasonable steps' standard is well established and will apply in line with existing regulatory expectations. We do not consider that the scheme introduces a new or heightened standard of accountability.

We also clarify that, while firms must identify a responsible Senior Manager and their role in scheme delivery, no new Senior Manager function is being created. The identity of nominated Senior Managers will not be published, though some firms may choose to publish these details themselves.

Record keeping

13.29 We proposed that firms will need to retain records for a minimum of 5 years from the date they were received or created. These records will include:

- The certificate of posting for each letter sent.
- A copy of each letter sent.
- A record of any attempts to contact the consumer, or obtain further information.
- The completed assessment for each scheme case assessed.
- All information on the consumer file and information received from the consumer.

Question 82: Do you agree with our proposals for the records firms will need to retain once the scheme ends? If not, please explain why you do not agree and what alternative options we should consider

Feedback

13.30 Firms broadly agreed with our record-keeping proposals, recognising the need to maintain reliable evidence of scheme compliance. However, they emphasised the need for the framework to reflect modern digital-first operational models, noting that lists of records and examples in the draft rules (under CONRED 5.10) were based on traditional postal communications. Many called for explicit confirmation that digital-only retention is acceptable, provided that auditability and accessibility standards are met.

13.31 A common response was that the minimum retention period of 5 years may be insufficient, with some recommending alignment to the 6-year limitation period standard across financial services. Firms also expressed concern over different retention periods, particularly where the FCA's proposed retention obligations may diverge from UK GDPR, DPA 2018, and statutory evidential requirements.

13.32 Respondents sought clearer definition of required record types, including whether records relating to vulnerability assessment, escalations and adjustments should be explicitly included. A small number of firms argued that extensive retention obligations may be disproportionate for firms not involved in harmful historic commission practices, suggesting a more tailored or risk-based retention framework.

Our response

We are maintaining the mandatory record-keeping requirement we proposed in CP25/27, which we consider proportionate, modern, and sufficient to support effective supervision, transparency and consumer protection. We confirm that firms may maintain records in digital-only form, provided they are accessible, auditable and capable of evidencing each step taken under the scheme. This reflects modern operating models and avoids unnecessary administrative burden.

We have considered suggestions to extend the retention period but are maintaining the proposed 5-year requirement to ensure consistency with previous policy statements and schemes.

We note concerns regarding interaction with UK GDPR and the DPA 2018. The FCA has powers to set data retention periods and firms can comply with both regulatory and data protection obligations without conflict.

Firms may also wish to refer to the 'relevant records' list under 2.39 of PS25-18. Firms should retain documentation relevant to the scheme in line with their usual retention arrangements and note that the FCA retains the ability to require information or documents for supervisory purposes under section 165 of FSMA.

Annex 1

Cost Benefit Analysis

Executive Summary

1. This Cost Benefit Analysis (CBA) incorporates feedback received during the consultation, which originally proposed a single redress scheme covering April 2007 to November 2024. As outlined in the Policy Statement, we have decided to implement 2 separate schemes: one covering April 2007 to March 2014 (Scheme 1), and another covering April 2014 to November 2024 (Scheme 2).
2. While splitting the scheme does not directly affect the overall costs or benefits, it does influence certain assumptions, including the pattern of scheme join rates over time. These adjustments, together with updates to other modelling assumptions, are explored in detail in this CBA.

Feedback received on our CP25/27 CBA and our response

3. We received extensive feedback on our CBA of the proposals in the Consultation Paper (CP25/27). Substantive points raised across the 7 consultation questions asked relating to the CBA included:
 - Arguments that the 'do nothing' counterfactual of a consumer-led complaints approach through firms and the Financial Ombudsman was unrealistic and that more realistic counterfactuals involving regulatory interventions were more appropriate.
 - Suggestions to include redress liabilities in the comparative analysis between the counterfactual and proposed scheme so that the size and nature of financial transfers between firms and consumers could be assessed.
 - Requests for more substantive analysis of disregarded options to address the identified market failure. The argument being that the lack of detailed analysis of other options made it hard to conclude whether the preferred option was indeed the most proportionate regulatory response.
 - Feedback that the estimated non-redress costs for firms were underestimates and did not capture certain practical operational expenses associated with the scheme, such as postage costs.
 - Feedback that argued the estimated costs to firms under the counterfactual were overestimates, implying the benefits of lower costs to firms under our proposed scheme were also overestimated.
 - Queries on the validity of assumptions about consumer uptake rates.
 - Requests for the CBA to consider a de minimis threshold.

4. We have carefully considered this feedback. We remain confident in our choice of counterfactual as we consider it is realistic and consistent with HMT Green Book 2026 guidance, the Financial Services and Markets Act 2000 (FSMA) and our Statement of Policy on CBA. It is essential that the counterfactual remains clear and correctly specified so that we can effectively compare the costs and benefits of our final rules to the appropriate reference point. A counterfactual that incorporates intervention features would fail to provide a neutral benchmark and would risk obscuring the incremental effects of the rules. Further information is provided in the 'consultation feedback' section.
5. We have not changed our position regarding the inclusion of redress liabilities since CP25/27. Redress liability estimates, updated in the main Policy Statement, are not a cost to firms arising from our scheme as they arise from historic non-compliance. Any redress paid represents the crystallisation of pre-existing liabilities and, for the purposes of the CBA, should not be characterised as a new cost to firms that is attributable to the scheme. We note that the Regulatory Policy Committee, in its guidance, states that quantifying impacts from non-compliance should be done where appropriate; our view is that it is not appropriate to do so in our CBA due to the level of uncertainty limiting our ability to robustly estimate redress under the counterfactual. Further information is provided in the 'consultation feedback' section.
6. With respect to widening our analysis to cover a larger range of policy options, we note that Section 138I(7) FSMA requires the FCA to consult on the proposed rules and assess their costs and benefits. We did not deem it proportionate to impose further burdens on firms to collect data to consider other options. We believe the qualitative discussion of the alternative scheme contained in CP25/27 was sufficient to demonstrate how other options were considered. We are satisfied that this is consistent with our Statement of Policy which provides that the aim of a CBA is to produce an assessment of costs and benefits that is sufficient to inform consultation and a decision on the proposed course of action. Further information is provided in the 'consultation feedback' section.
7. Respondents raised several valid points regarding estimated costs and uptake rate assumptions. In response we have collected more evidence, revised our assumptions and updated elements of our modelling approach. Some of these revisions are also influenced by our policy changes for the final scheme. Further information is provided in the section discussing 'changes to our modelling assumptions' with the key revisions summarised below.

Table 1: Summary of assumption revisions

Modelling assumption	Position in CP25/27 (central scenario)	Updated position for Policy Statement (central scenario)
Time assumed for case-handling period in counterfactual	Two years	Three years
Counterfactual incidence rate (proportion of cases pursued)	69%	58%
Scheme join rate for opt-in eligible cases	83%	70%
Scheme join rate for opt-in ineligible cases	41%	20%
Financial Ombudsman referral rates through our scheme	7.5%	5%
Financial Ombudsman case fees	£650	£680
Financial Ombudsman scaling fees	£455	£476
Financial Ombudsman referral rates for consumers disagreeing with the scheme outcome (UR screening only)	NA	5%
Financial Ombudsman referral rates for consumers disagreeing with the scheme outcome on ineligible agreements (limitation periods, high loan values)	NA (not in CP25/27)	30%
Time involved in high value loan, de minimis and APR screenings under the scheme	NA (not in CP25/27)	20 minutes
Firm time involved in eligibility screening for the scheme (per agreement)	60 minutes	An average time of 11 minutes per agreement, calculated at the firm level using motor finance commission monitoring data (Round 6).
Time involved in limitation period screening under the scheme (per agreement)	NA (not in CP25/27)	15 minutes

8. We have also expanded our assessment of costs to consider expected firms' court costs in the counterfactual, with further information provided in the 'changes to our modelling assumptions and approach' chapter.
9. Our final scheme also now incorporates a de minimis commission threshold, which ensures that firms are not required to further assess cases where the level of commission is below a threshold. This is accounted for in our cost estimates as set out in the paragraph below.

Policy changes materially affecting the CBA

- 10.** As well as updating and revising assumptions, this CBA reflects revisions to the consumer redress scheme (CRS) since CP25/27. The most material revisions in terms of impact are:
- Introduction of a commission based de minimis threshold, set at £120 for Scheme 1 and £150 for Scheme 2.
 - Introduction of a 90% commission plus interest cap, a realised total cost of credit (TCC) cap adjusted to account for a minimal cost of credit offered to only 5% of the market at the time (excluding 0% APR deals), and an unadjusted realised TCC cap calculated on a simpler basis on the hybrid redress calculation approach.
 - Captive and white label tied arrangements with franchised dealerships are excepted from being relevant arrangements where the conditions set out in Chapter 5 of the Policy Statement are met.
 - Zero APR agreements are no longer considered to have relevant agreements.
 - Removal of the requirement for recorded delivery and the requirement to contact opt-in consumers who are likely ineligible for redress.
- 11.** We provide a brief overview of the policy changes in Table 6. Details of the reasoning behind these policy changes are provided in the Policy Statement and are not repeated here.
- 12.** It should be stressed that there are several other changes to the CRS since CP25/27 not captured above, but for the purposes of this CBA they have less of a material impact. We provide a full list of the relevant policy changes in the main CBA.

Updated quantified estimates

- 13.** In CP25/27 we summarised the estimated nominal monetised impacts of our proposed scheme as:

Table 2: Previous summary of estimated nominal monetised impacts in CP25/27

Monetised costs	Do-nothing counterfactual	Proposed intervention	Benefits (savings)
Total firm costs of the scheme	£9,349.0m	£2,757.5m	£6,589.0m
Consumer time costs	£225.3m	£150.9m	£74.4m

- 14.** Below we set out our central nominal monetised impacts for the final scheme, reflecting changes since CP25/27 in the Policy Statement and updated assumptions and data. The rationale and expected outcomes for our scheme remain the same as articulated in the CBA for CP25/27, namely:
- It places less financial pressure on firms leading to lower levels of firm financial stress.
 - Redress is paid in an orderly, consistent and efficient manner.
 - Customers are given appropriate redress.

- Consumers continue to access and receive motor finance that is suitable and offers fair value.

15. The effect of our final policy positions and updated assumptions is that the proposed scheme leads to significantly lower firm operational and consumer time costs (£6.1bn in nominal terms) compared to the counterfactual scenario, demonstrating substantial savings for both firms and consumers.
16. Furthermore, we note that the counterfactual cost estimate of £8.0bn in the Policy Statement has decreased from the £9.3bn estimate previously provided in the CP. This reduction reflects our revised counterfactual assumptions, namely a fall in the case incidence rate from 69% to 58% and an extension of the case-handling period for firms from 2 to 3 years. Together, these changes reduce the number of referrals to the Financial Ombudsman and provide a more accurate reflection of the costs that would be incurred in the absence of the scheme.

Table 3: Summary of Policy Statement central estimates (nominal costs)

Monetised costs	Counterfactual	Intervention	Benefits (savings)
Scheme 1 – 6 April 2007 to 31 March 2014			
Total firm costs	£1,751.2m	£478.6m	£1,272.5m
Consumer time costs	£61.4m	£23.3m	£38.1m
Scheme 2 – 1 April 2014 to 1 November 2024			
Total firm costs	£6,209.8m	£1,171.3m	£5,038.5m
Consumer time costs	£189.4m	£54.1m	£135.3m
Schemes 1 & 2 – 6 April 2007 to 1 November 2024			
Total firm costs	£7,961.0m	£1,649.9m	£6,311.1m
Consumer time costs	£250.8m	£77.4m	£173.5m

17. The nature of identified benefits and costs are similar to CP25/27 and are not described in detail in this CBA to avoid repetition. To summarise, the groups of expected benefits of the scheme relative to the counterfactual include:
- **For consumers:** As well as receiving redress, they will have more certainty, confidence and greater speed in receiving this redress and spend less time and effort making a case.
 - **For firms:** Fewer cases will be made to the Financial Ombudsman and the courts, resulting in lower non-redress costs and greater certainty, including on redress calculations.
 - **For the wider economy:** Preserving stability through reduced uncertainty, risk and firm failure, ensuring the ongoing viability and investability of the motor finance market, and minimising competitive disruptions.
 - **For the Financial Ombudsman and wider court system:** Fewer cases and lower overall burdens and delays.

18. The expected costs from our scheme compared to the counterfactual include:
- **For consumers:** Time and monetary costs associated with pursuing cases following an unsatisfactory scheme outcome.
 - **For firms:** Familiarisation and gap analysis (including legal costs), implementation and staff training costs associated with the scheme, and costs of reporting to the FCA.
 - **For FCA:** Additional supervisory costs to oversee and ensure firms comply with the scheme and its rules.
19. Calculating the Net Present Value (NPV) of costs and benefits across the standard 10-year appraisal period, with a 3.5% discount rate we estimate our monetised impacts come to an NPV of £1.2bn for Scheme 1 and an NPV of £4.8bn for Scheme 2. Consistent with the approach taken in the CP, although we use the standard 10-year appraisal period to calculate NPV, we consider the cost of administering the scheme to occur over the first 3 years of this appraisal period.

Table 4: NPV calculations

	Scheme 1	Scheme 2	Total
PV benefits (excluding gains to consumer redress)	£1,387.4m	£5,286.6m	£6,674.0m
PV costs	£192.8m	£471.8m	£664.6m
NPV	£1,194.6m	£4,814.8m	£6,009.4m

20. The overall conclusions on the NPV calculations do not change under different sensitivity checks.

Updated wider impacts

21. Our distributional analysis indicates that policy revisions to address concerns about disproportionate operational burdens, particularly for smaller firms in the sub-prime segment with relatively few estimated eligible agreements, can be effective. In addition to removing recorded delivery requirements, firms will not be required to communicate with non-complainants who are not deemed likely to have an eligible agreement, significantly limiting the scale of communications required. This is particularly relevant for the sub-prime segment of the market.
22. The scheme also supports vulnerable consumers, particularly those with lower financial literacy, by providing a straightforward route to redress that avoids the complexity and uncertainty associated with a consumer-driven, case-led approach.
23. In addition to quantified monetary costs and benefits, we identify several unquantified benefits for consumers and firms, consistent with those discussed in CP25/27. Consumers may face lower court costs, greater confidence in fair case handling, and a simpler resolution process, though some who have engaged with Professional Representatives (PRs) or courts could incur exit fees. Regarding the latter, we recently issued a [joint statement with the Solicitors Regulation Authority \(SRA\)](#) in February 2026, reminding PRs their obligation to ensure that any fees charged represent fair value, in line with the Consumer Duty.

- 24.** Handling cases through a fair and consistent scheme can enhance firms' reputation, build consumer trust, and strengthen customer relationships.
- 25.** Our overall view of the broader market impacts of our intervention remains consistent with CP25/27, with motor finance and wider market impact risks higher in the counterfactual than under our intervention. Market developments since the Supreme Court judgment and the publication of CP25/27 have signalled generally resilient growth and investment including for funding, share prices and auto asset-backed securities (ABS) transactions, as well as signs of potential new entry. These developments reflect conditions up to early 2026, and therefore, do not capture additional uncertainty arising from the recent conflict in the Middle East.
- 26.** In line with our secondary objective on competitiveness and growth, the scheme replaces a fragmented case and courts-led environment with a clear framework that enhances certainty and consumer confidence. It is expected to support household finances and consumption, while imposing lower costs on firms than the counterfactual, thereby supporting a competitive and well-functioning motor finance market.
- 27.** We provide a full summary of market updates and impact on competitiveness and growth in our assessment of the impact on the Secondary International Competitiveness and Growth Objective (SICGO) in the CBA.

Monitoring and evaluation

- 28.** We will maintain strong supervisory oversight of market participants involved in the scheme throughout its operation. Key risk indicators spanning all stages of the scheme, supported by supervisory and case data, will provide early warning of operational weaknesses, emerging consumer harm, or firm non-compliance, enabling targeted supervisory intervention.

Conclusion

- 29.** The updated CBA strengthens and clarifies the analysis set out in CP25/27, updating assumptions and analyses, while taking account of final policy choices. The overall conclusion remains consistent: a coordinated and structured consumer redress scheme delivers substantial net benefits when compared against a case-led counterfactual and is a proportionate intervention.

Introduction

- 30.** This Annex updates the CBA presented in Annex 2 of CP25/27. It is structured in 2 parts. First, we summarise the feedback received on consultation questions 89-95 under key themes and set out our responses. Second, we present an updated CBA reflecting the policy refinements and analytical changes made following consideration of stakeholder views. We present updated impacts in line with our final positions.
- 31.** For brevity, we do not repeat analysis unchanged from CP25/27, specifically the market context and rationale for intervention sections (which continue to hold as previously set out), as areas where the types and nature of costs and benefits are unchanged.

Consultation feedback on the cost benefit analysis and our response

- 32.** Respondents raised several substantive points in relation to our CBA in CP25/27 with respect to the methodology used, impacts identified and assessed, and assumptions made. Stakeholders queried the validity of our chosen counterfactual scenario, questioning whether a case-led environment with no regulatory intervention was realistic. Some stakeholders considered the options appraisal to be too narrow and questioned the absence of certain impacts or distributional analyses.
- 33.** We have grouped consultation responses into the key themes detailed below with the corresponding CP questions they relate to (noting there is some overlap in responses across questions).

Table 5: CP25/27 questions and associated key themes

CP25/27 question	Key theme
91	Specification of the counterfactual scenario
90, 92, 93	Inclusion of redress liabilities in the CBA
93	Assessment of the costs and benefits of alternative policy options
90, 92, 93	Estimated costs of delivering the consumer redress scheme (CRS)
91, 93	Estimated costs under a counterfactual scenario
94	CRS join rates
92	Inclusion of a de minimis threshold

- 34.** Below we outline the feedback received across these themes and our response.

- 35.** A summary of feedback received in relation to our assessment of the potential market impacts of the scheme, and our response, is separately presented in Technical Annex 2: Market Impacts.

Specification of the counterfactual scenario

Our position in CP25/27

- 36.** Our counterfactual considered what would likely occur if our existing rules continued under 'business as usual' (BAU). It sets out an alternative future where we do not intervene with a consumer redress scheme (or any alternative). HMT's Green Book notes that BAU does not necessarily mean 'do nothing' and that impacts can still arise due to regulatory inaction.
- 37.** In our counterfactual scenario, consumers would continue to seek redress on an individual basis by complaining directly to firms, escalating a case to the court, or pursuing a case through an alternative dispute resolution (ADR) channel such as the Financial Ombudsman Service.
- 38.** As redress outcomes would depend heavily on how courts, firms and consumers behave, there is considerable uncertainty about how events would unfold without intervention. The counterfactual incorporated the implications of the judgments in *Johnson* (Hopcraft v Close Brothers Limited; *Johnson* v FirstRand Bank Limited; *Wrench* v FirstRand Bank Limited [2025] UKSC 33) and *Clydesdale* (R (Clydesdale Financial Services Ltd) v Financial Ombudsman Service Ltd [2024] EWHC 3237 (Admin)).

Stakeholder feedback

- 39.** Some firm groups argued that this 'do nothing' counterfactual scenario is unrealistic following *Johnson*, and that such an outcome would be highly disruptive, costly and time-consuming for firms and consumers, potentially undermining our statutory objectives.
- 40.** We also received proposals for alternative counterfactual options. For example, it was suggested that alternative counterfactuals with adjusted elements of the scheme, particularly its redress methodology, would have provided better comparators. It was also suggested that an alternative counterfactual could reflect what a consumer would reasonably have obtained absent the unfair relationships created by commission conflicts – that is, a counterfactual based not on the absence of the scheme, but on the absence of the unfairness itself (that is, the lowest reasonable APR), consistent with 2 decision notices issued by the Financial Ombudsman in January 2024 upholding DCA complaints.
- 41.** Respondents also noted that any counterfactual must be transparently justified and supported by empirical testing.

Our response

Under our Statement of Policy on CBA our counterfactual should reflect what would reasonably occur in the absence of regulatory intervention. While we recognise that the counterfactual could involve disruption to consumers and firms, the mere possibility of it arising does not make the scenario inaccurate. It is important to consider that inaction, just like regulatory intervention, can generate both positive and negative impacts, and understanding these effects is a core part of assessing whether introducing a consumer redress is justified.

Further, a counterfactual does not need to represent the most efficient outcome; it simply needs to provide a plausible picture of what would reasonably occur in the absence of regulatory intervention to inform our decision.

With respect to the alternative counterfactuals presented by stakeholders, these did not represent counterfactuals but alternative intervention designs (such as adjustments to the redress methodology) which belong in an options appraisal rather than in a non-intervention counterfactual. Treating such policy choices as counterfactuals would embed elements of the proposed intervention into the baseline and undermine the purpose of the CBA in demonstrating the impact of our proposed rules.

It is essential that the counterfactual remains clear and correctly specified as, under FSMA, our requirement to present the costs and benefits of our rules when made depends on measuring impacts relative to the appropriate reference point. A counterfactual that incorporates alternative intervention features would fail to provide an appropriate benchmark and would risk obscuring the incremental effects of the proposed rules.

We remain of the view that a case-led, litigation-heavy environment (post-*Johnson* and *Clydesdale*) represents a credible baseline against which to measure impacts. We have also confirmed that in the absence of a scheme the pause on motor finance cases will be lifted on 31 May 2026, and firms have been required to make sure they process cases as far as possible in advance of that pause being lifted.

Inclusion of redress liabilities in the CBA

Our position in CP25/27

42. We did not consider redress liabilities under the scheme as a benefit to consumers or a cost to firms, relative to liabilities incurred under the counterfactual. Our rationale was that, firstly, redress liabilities are not a cost created by the consumer redress scheme. They arise from firms' historic non-compliance, not from our intervention. Secondly, although the level of redress paid may differ between the scheme and the counterfactual, it is not possible to estimate this reliably given the uncertainty about how firms and the courts would assess loss and unfairness in the counterfactual.

Stakeholder feedback

43. A trade body acknowledged that, although it is challenging to quantify the value of redress under a court process, we could have explored the size and nature of the financial transfers created by our proposed scheme. In other words, the CBA could have considered the distribution and magnitude of these transfers without needing to determine precisely whether the scheme fully aligned with individual customer losses.
44. Some firms requested an assessment of redress in the counterfactual to enable comparisons between expected level of redress received versus intervention options. This could be presented qualitatively or as sensitivity analysis and a hypothetical case-led outcomes using historic Financial Ombudsman decisions or prior settlements.

Our response

The scheme does not create the underlying liability; it provides a mechanism for identifying and remedying harm that has already occurred. Our CBA is designed to assess the costs firms would incur in complying with our proposed rules.

Although the scheme provides a statutory redress mechanism, it does not change our assessment that differences in redress levels versus a case-led counterfactual reflect evidential standards, not new costs imposed by the scheme. Redress liabilities, as a cost to firms, arise from historic non-compliance, not from the introduction of new rules.

We note that, while the Regulatory Policy Committee (RPC) guidance recommends that impacts arising from non-compliance are discussed in quantified terms, it also acknowledges that such quantification should only be undertaken where appropriate. Given the significant uncertainty around the level of redress that would arise under the counterfactual, reflecting variability across firms and individual cases, attempting to assign a monetary value would require broad assumptions that may not accurately reflect a case-led approach.

While the introduction of scheme features such as de minimis and zero-APR affect the quantum of redress and could lead to overall redress differing between our intervention and the counterfactual, it could be argued, in the absence of a scheme, courts may similarly choose not to look favourably on such cases and not offer redress. Again, this points to the practical challenges in credibly estimating redress liabilities in the counterfactual.

On this basis, we consider quantifying historic redress liabilities to be disproportionate in the counterfactual and therefore inappropriate to include in the analysis. Further, as noted, we do not believe they are a cost associated with the scheme. We therefore do not attempt to monetise consumer benefits associated with these liabilities in the NPV calculations.

Assessment of the costs and benefits of alternative policy options

Our position in CP25/27

- 45.** Our primary modelling option in the CBA assumed a scheme that covered agreements from April 2007, aligning to the date when s140A of the Consumer Credit Act (CCA) came into force and the timeframe within which the Financial Ombudsman can consider a case.
- 46.** To inform stakeholder feedback on the consultation, we also provided details of an alternative option that covered agreements from 1 April 2014. This period represents the time after the FCA took over regulation of motor finance and other consumer credit agreements.
- 47.** We also noted that CP25/27 qualitatively discussed alternative scheme designs in 3 places:
- CBA paragraph 133, which sets out alternative options considered.
 - CP paragraphs 3.39 – 3.62, which outline how alternative proposals were assessed against the scheme's design principles.
 - Annex 6, which shows how redress cost estimates varied under different policy assumptions.

Stakeholder feedback

- 48.** A trade body's response to our consultation suggested this was too narrow a set of options, or that these options were not considered in sufficient analytical detail. It was argued that to properly inform policy development and assess whether the scheme accurately targets loss, the choice of options should be expanded to include factors like choice of scheme unfairness thresholds and the use of an additional comparator-model approach based on APR and DCA commission thresholds.

- 49.** It was also suggested that we should have presented several options for scheme design which might be targeted at redressing harm in a more proportionate way.
- 50.** Some firms considered that alternative counterfactuals, particularly those adjusting elements of the scheme's redress methodology, would have provided more meaningful comparators for assessing proportionality and the wider impacts on firms, customers and the market.

Our response

Section 138I(1) and (7) of FSMA requires the FCA to consult upon proposed rules and assess their costs and benefits. In line with this, our CBA takes a proportionate approach: it focuses on the impacts of the preferred option without undertaking detailed quantitative modelling of multiple alternative scheme designs. Expanding the CBA to model several options in depth would increase the burden on firms (in terms of providing data to inform individual analysis) and the FCA (in terms of additional resource and time for the analysis), without this being necessary to support effective consultation or decision making.

We remain confident that, as well as meeting FSMA requirements, the overall CP contained sufficient and proportionate detail on alternative scheme designs. We are further satisfied that this is consistent with our Statement of Policy which provides the aim of a CBA is to produce an assessment of costs and benefits that is sufficient to inform consultation and a decision on the proposed course of action.

Estimated costs of delivering the CRS

Our position in CP25/27

- 51.** We previously estimated quantitatively the total administrative costs to firms of providing redress – otherwise known as 'non-redress costs' – at £2.8bn (in nominal terms) under the proposed scheme. This included direct costs such as administration costs incurred to handle a case in-house and indirect costs such as Financial Ombudsman referral fees.

Stakeholder feedback

- 52.** Respondents raised concerns regarding the scope of the estimated non-redress costs. Some stakeholders argued that the £2.8bn estimate did not capture certain practical operational expenses, including costs associated with outbound communications to consumers such as recorded delivery postage.
- 53.** Others emphasised the potential impact of these costs on smaller firms, noting that administrative expenses represented a disproportionate burden relative to their capital position or expected redress liabilities. Respondents called for greater recognition of the distributional effects of non-redress costs across different types of firms.

Our response

We acknowledge concerns raised regarding the scope of non-redress costs and the potential distributional impact across firms. Considering this feedback, targeted adjustments have been made to the scheme design (such as communication requirements) to reduce some aspects of operational complexity while preserving the effectiveness of the scheme. This will also help to make sure the market continues to work well for future customers and avoid a scenario where they indirectly bear the brunt of administrative costs passed on to them through higher borrowing costs.

We have reflected these policy changes in the updated CBA, including revised administrative cost estimates where appropriate. We also expand our consideration of distributional impacts, with attention given to the position of firms with lower expected redress liabilities.

Estimated costs under a counterfactual scenario

Our position in CP25/27

- 54. In the counterfactual, we estimated nominal non-redress costs of £9.3bn in a scenario where we took no action, generating a comparative net benefit of £6.5bn for our proposed intervention.
- 55. We acknowledged that there was uncertainty about this estimate given the range of possible behavioural responses by consumers and firms under a case-led approach, which is why we provided cost ranges in the CBA. Nonetheless, our overall stance was that the cost of not intervening was far greater than the cost of a proposed scheme.

Stakeholder feedback

- 56. Some respondents argued that our estimate of £9.3bn in nominal non-redress costs overstated the likely cost of a case-led approach. They considered that we assumed too high a level of escalation to the Financial Ombudsman and, therefore, overstated associated case fees and case-handling costs.
- 57. Respondents suggested that firms would have stronger incentives, such as avoiding significant case fees, to resolve a case before Financial Ombudsman involvement. They also argued that firms have established case-handling frameworks and the operational capability to scale internal processes where necessary. This would enable a greater proportion of a case to be resolved at an earlier stage, resulting in lower overall costs than modelled.

- 58.** It was also suggested that the 2-year case-handling period assumed in our counterfactual, which mirrored the period applied to the proposed intervention, was too short. Respondents argued that this timeframe would not provide firms with sufficient flexibility to process paused cases in a phased and orderly manner. In their view, allowing a longer handling period would enable firms to smooth volumes over time, and reduce Financial Ombudsman-associated costs.

Our response

We have revisited our assumptions considering the feedback received and made some changes where we deem it appropriate.

We have made targeted modelling refinements where we consider the feedback provides a reasonable basis for adjustment. For example, we recognise that a 2-year case-handling period is shorter than the period over which firms addressed cases in the Payment Protection Insurance (PPI) context which extended over 9 years. However, we do not consider that directly replicating that approach would be appropriate or realistic in this case. We believe that most cases would be made and addressed in a shorter period given the nature of the issue, different market conditions and technological improvements since PPI.

On balance, for the purposes of modelling the counterfactual, we have adopted a 3-year case-handling period. In our view, this strikes a realistic balance: it allows additional time for firms to phase case volumes and manage operational capacity, while recognising the wider pressure and momentum in delivering timely redress and preserving the wider consumer benefits of intervention. For completeness, we test a conservative counterfactual scenario based on the PPI redress programme as part of our sensitivity analysis.

In other areas of the counterfactual, however, we consider our original assumptions to remain sufficiently robust and have not been presented with evidence that would justify material revision.

For example, we maintain our approach to modelling Financial Ombudsman scaling fees, including applying a 30% uplift to the PPI-era case fee of £350. This uplift reflects the percentage increase in Financial Ombudsman case fees observed since the PPI period and, in the absence of evidence to the contrary, we consider it a suitable proxy for estimating potential scaling costs under the counterfactual.

We also continue to apply scaling fees to all cases referred to the Financial Ombudsman under the counterfactual. Given the potential for a significant surge in cases, alongside business-as-usual caseloads, we consider it reasonable to assume that the Financial Ombudsman would implement significant scaling measures to manage capacity pressures.

Consumer behaviour – CRS join rate

Our position in CP25/27

59. In the consultation, we assumed the following scheme join rates by consumer cohorts:
- 83% of consumers who have not previously complained, and who receive communications telling them that they are likely eligible for redress.
 - 95% of consumers who have previously complained, and who receive communications telling them that they are likely eligible for redress.
 - 41% of consumers who have not previously complained, and who receive communications telling them that they are likely not eligible for redress.
 - 0% of consumers who have previously complained, and who receive communications telling them that they are likely not eligible for redress. These consumers were assumed to be unable to obtain redress directly from the firm without Financial Ombudsman referral.
60. The overall scheme join rate for likely eligible consumers, weighted by agreements across each of the 'likely eligible' consumer cohorts listed above, was approximately 85%.

Stakeholder feedback

61. Firm feedback suggests that a the overall scheme join rate of 85% is too high based on stakeholders' experience with prior redress programmes. For example, stakeholder evidence indicated that the join rate for the PPI programme for consumers with potential detriment was significantly lower at 73%. We note that many firms highlighted lower join rates from other, similar redress programmes (eg PPI, British Steel Pension, Arch Cru) as evidence that the join rate for this scheme is too high.

Our response

Considering our review of evidence from the behavioural literature and PPI and the implications of our changed policy towards customer contact, we have revised our scheme join rates to better reflect observed participation patterns and realistic behavioural responses. We have adjusted scheme join rates to account for temporal effects, reflecting evidence suggesting that participation rates would be lower for older agreements. We have also accounted for changes in our approach to which consumers will be contacted in the Policy Statement, whereby consumers will not be contacted unless their agreement featured a relevant arrangement (as defined in the scheme).

We have considered the join rates respondents proposed from similar programmes but, in our view, the circumstances are sufficiently different – especially in light of the extremely high public awareness of motor finance, combined with the extensive direct-to-customer reach of our firm-led communications approach – that we do not put substantial weight on these comparisons when estimating uptake for this scheme.

The updated scheme join rates are reflected in the revised cost and benefit estimates set out in this CBA. Our revised calculations are set out in further detail later in this CBA.

Inclusion of a de minimis commission threshold

Our position in CP25/27

- 62.** In CP25/27, we did not propose a de minimis threshold for commission on the grounds that excluding low-value commission cases on proportionality grounds would not remove a firms' underlying liability. They would simply fall outside the scheme and continue to be handled through cases to firms or the Financial Ombudsman.

Stakeholder feedback

- 63.** A trade body stated that a de minimis commission threshold could materially change the net benefits and proportionality of the scheme given the cost is driven by the number of eligible agreements and we should produce a CBA for our decision not to introduce a threshold.

Our response

We do not consider it proportionate to undertake a standalone CBA on this decision. The inclusion of a de minimis commission threshold represents a design feature of the scheme, rather than a distinct policy option requiring separate appraisal. Our assessment of costs and benefits is intended to capture the overall impact of the scheme design.

Nevertheless, having considered the feedback on proportionality, we have decided to introduce a de minimis commission threshold – see Table 6 in this document for further detail. This change narrows the scope of agreements captured by the scheme by removing agreements with low levels of commission that are unlikely to give rise to unfairness. We have therefore updated the CBA to reflect this design change.

Further details on the policy reasoning behind the de minimis threshold are set out in Chapter 5 of the Policy Statement.

Our updated cost benefit analysis

- 64.** Following stakeholder feedback on the assumptions underlying the CBA we have made several revisions to our modelling approach and assumptions. We have also made additional changes to our modelling approach to ensure the CBA aligns with our final policy position set out in the Policy Statement.
- 65.** This section of the CBA covers the following elements:
- Relevant policy changes for the Policy Statement CBA
 - Data sources
 - Counterfactual
 - Changes to our modelling assumptions
 - Summary of final modelling assumptions
 - The impact of our intervention
 - Market impacts
 - Secondary International Competitiveness and Growth Objective (SICGO)
 - Monitoring and evaluation
 - Response to consolidated CBA Panel feedback on this CBA
- 66.** For transparency and comparative purposes, we include in the *impact of our intervention* chapter, revised CBA estimates from CP25/27 using updated scheme join rates from this CBA.
- 67.** For the avoidance of doubt, the definitive sources of the FCA's policy and requirements are the main body of this Policy Statement and the accompanying Rules Instrument. This CBA is intended to assess the anticipated costs, benefits and broader market impacts of the policy. While we have sought to ensure consistency between this CBA and the final policy and rules, any differences in language or presentation are purely explanatory in nature and do not reflect substantive policy divergence.
- 68.** We are confident that the modelling presented here reflects the underlying policy intent as far as is reasonably possible, recognising the inherent data limitations involved in estimating non-redress liabilities across many millions of agreements, and that proportionate and evidence based judgements have been applied throughout.
- 69.** This analysis reflects the position at the time of publication and does not account for future campaigns or actions that may affect the assumptions in our model.

Relevant policy changes for the Policy Statement CBA

- 70.** The table below summarises the changes made since the publication of CP25/27 to the design and scope of the intervention. We do not provide a full description of these changes here, as they are explained in detail elsewhere in the Policy Statement, instead focusing on changes that cause us to materially update CBA estimates.

Table 6: Summary of policy changes from CP25/27 to Policy Statement relevant to CBA

Policy area	Description	Approach taken in Consultation stage	Approach taken in Policy Statement	Impact on CBA	Policy Statement chapter
Agreements within scheme period	Defining which consumer agreements are covered by the scheme and when those agreements were first entered into.	Our preferred approach covered a single scheme covering agreements between April 2007 – November 2024.	We will implement two schemes covering agreements originated during the following periods: Scheme 1: Agreements entered into between 6 April 2007 – 31 March 2014 Scheme 2: Agreements entered into between 1 April 2014 – 1 November 2024	No direct impact on scheme costs to firms. Indirect downward impact on firm costs through reduced scheme join rates and, subsequently, fewer agreements are processed in Scheme 1. A discussion of revised assumptions on scheme join rates is provided in the changes to our modelling assumptions chapter.	Chapter 2
Scheme implementation period	The time allowed for firms (prior to the scheme start date) to prepare for and implement the redress scheme.	We did not have a formal implementation period for firms prior to the scheme commencement.	A voluntary 5-month implementation period is introduced for Scheme 1 and a 3-month period introduced for Scheme 2 to ensure that firms have sufficient time to build processes for assessing liability and, where necessary, gather information from dealers.	Minor changes in the present value of the costs to firms, as they are distributed across different scheme-specific implementation periods.	Chapter 7

Policy area	Description	Approach taken in Consultation stage	Approach taken in Policy Statement	Impact on CBA	Policy Statement chapter
De minimis commission threshold	Setting a minimum amount (based on commission) below which agreements are deemed to not have a relevant arrangement.	Our proposed scheme did not include a de minimis threshold for agreements based on commission.	The scheme has a commission based de minimis threshold of £120 for Scheme 1 and a threshold of £150 for Scheme 2. If commission is below these levels, then any inadequately disclosed relevant arrangement (including a DCA, high commission or tied arrangement) is deemed as not giving rise to unfairness under the scheme, meaning no redress would be due.	Downward impact on ongoing variable firm costs as agreements are screened out on the basis of low commission prior to eligibility checks.	Chapter 5
Limitation period	Considering whether a case is in-time to be in the scheme by assessing whether limitation period had expired before the scheme rules were made.	In England, Wales and Northern Ireland, we proposed that the fact or facts relevant to the consumer's claim are likely to be the same as the information required for there to have been adequate disclosure for the purposes of the scheme's unfair relationship assessment; a failure to adequately disclose relevant arrangements is also likely to amount to 'deliberate concealment' of a fact relevant to the consumer's claim that the consumer could not with 'reasonable diligence' have discovered. In Scotland, our view was that the relevant legislation does not impose a time limit on s140A CCA claims, or a remedy awarded pursuant to s140B, but we do not consider there to be an open-ended right to bring an unfair relationship claim in Scotland.	We made one change to our guidance for England, Wales and Northern Ireland. In cases relating solely to high commission (i.e. where no DCA or tied arrangement is also present), a prominent disclosure of the fact or possibility of commission is likely to be sufficient to put the customer on notice to, with reasonable diligence, discover the amount of that commission. We maintain our approach for Scotland.	There is a limited downward impact on ongoing variable costs, as such time-barred agreements are excluded from the scheme before redress is determined. Complainants may challenge decisions to time-bar their cases at the Financial Ombudsman, partially offsetting the anticipated operational cost savings.	Chapter 4

Policy area	Description	Approach taken in Consultation stage	Approach taken in Policy Statement	Impact on CBA	Policy Statement chapter
Consideration of captive arrangements	Determining whether captive or white label tied arrangements fall within the scope of the scheme.	Captive/white label tied arrangements that breach UR3 are considered eligible agreements within the scheme.	Captive and white label firm tied arrangements with a franchised dealership are excepted from being relevant arrangements if there is evidence the commercial relationship between the firm and the dealer was sufficiently clear from the context of the transaction.	Downward impact on ongoing variable firm costs as captive agreements are screened out prior to eligibility checks.	Chapter 5
Zero APRs	Refers to agreements with zero APRs and how they are treated in redress calculations.	The consultation did not explicitly state how zero APR agreements would have been treated. While in many cases firms could implicitly have rebutted the presumption of loss or damage where the APR was zero, we consider that excepting such agreements from the definition of a relevant arrangement is a less burdensome approach.	Zero APR agreements remain within the scope of the scheme. However, where the APR was zero, any inadequately disclosed relevant arrangement (including a DCA, high commission arrangement or tied arrangement) is deemed not to give rise to unfairness under the scheme, meaning no redress would be due.	Downward impact on ongoing variable firm costs as they are not relevant arrangements.	Chapter 5
Redress caps	Introducing independent caps for the hybrid remedy.	Individual caps were not proposed.	Under the final policy, 3 caps will be introduced for the hybrid remedy. Redress payable will be capped at: • 90% of commission plus interest. • Realised total cost of credit (TCC) adjusted to account for a minimal cost of credit offered at the 5th percentile of non-zero APRs in the year an agreement was signed. • Unadjusted realised TCC calculated on a simpler basis as this may be the lower figure where the adjusted cap results in redress which exceeds what the consumer actually paid for credit.	No direct quantifiable impact on non-redress estimates.	Chapter 12

Policy area	Description	Approach taken in Consultation stage	Approach taken in Policy Statement	Impact on CBA	Policy Statement chapter
Exclusion of high loan value arrangements	Setting limits on agreements subject to high loan values.	High loan value agreements were considered within scope.	Agreements with a loan value above the 99.5th percentile of loans in that year (rounded to the nearest £1,000) excluded from the scheme, except where used to purchase vehicles built or modified for accessibility purposes.	Downward impact on ongoing variable firm costs as high loan value agreements are screened out. As these cases fall outside the scheme, complainants may escalate them to the Financial Ombudsman, partially offsetting the anticipated operational cost savings.	Chapter 4
Consumer communications	Setting out how firms must notify consumers about the scheme, their potential eligibility and redress determination.	Firms were required to send communications by recorded delivery to all consumers, including those potentially eligible and ineligible for redress. We did not include recorded delivery costs in the direct costs in the CP.	Recorded delivery is no longer a mandatory requirement for communications. Firms may use digital channels if they wish subject to appropriate safeguards. In addition, they are not required to contact certain consumer cohorts, such as non-complainants who are likely ineligible for redress.	Downward impact on ongoing variable firm costs as opt-in ineligible non-complainants no longer receive communications to note that they are unlikely to be eligible for the scheme. As a result, individuals who are likely to be ineligible may be less inclined to opt in proactively, which would in turn reduce the number of redress determinations undertaken by firms.	Chapters 7-9

Data sources

- 71.** Our analysis draws on a range of data sources, including requests made by the FCA (including firm submissions) and publicly available commercial data sets. These inputs have informed the assumptions used in our analysis and help to ensure it is based on a broad and robust evidence base.
- 72.** These datasets include:
- Loan level data
 - Section 166(S166) customer assessment form data/skilled person review + DCA casefile review
 - Data drop 1 (DD1)
 - Data drop 2 (DD2)/Non-DCA casefile review
 - Credit Reference Agency (CRA) data
 - Cost of living consumer credit data collection
 - Motor finance commission monitoring survey
 - Motor finance firm survey
 - Motor finance broker survey
 - Financial Lives Survey
 - Motor Finance Consumer Awareness Survey
 - Yonder Consumer Research
- 73.** Further details of these datasets are provided in the data guide in [Technical Annex 1](#) to CP25/27 and any subsequent revisions to these are discussed in the PS [Technical Annex 1](#).

Counterfactual

- 74.** Similar to the approach taken in CP25/27, in the non-intervention counterfactual scenario, consumers would continue to complain directly to firms or apply to the courts to receive redress – a case-led approach. We assume, for the purposes of our analysis, that in the counterfactual the standard case-handling rules and guidance would apply to relevant cases, but that there would no specific guidance from the FCA on how to deal with relevant cases.
- 75.** Once the extension on the deadline for firms to respond to motor finance cases ends on 31 May 2026, firms will have 8 weeks to respond to new consumer cases (that is, received after 31 May 2026) and any consumer cases received during the pause that have not been resolved by that time. For cases made before the pause began, firms must respond within an adjusted deadline: the standard 8-week period minus the amount of time the cases had already been with the firm before the pause took effect. After that time, consumers would be able to refer their cases to the Financial Ombudsman, who would also start to process cases they had already received.
- 76.** We expect firms would see a surge in cases and would be unable to respond to all those cases in the 8-week deadline. Many cases would, therefore, be open to referral to the Financial Ombudsman, in addition to those already received by the Financial Ombudsman, requiring individual consideration under the fair and reasonable test.

- 77.** Under our counterfactual specification, we acknowledge that a substantial volume of complaints could be expected to be referred to the Financial Ombudsman and, to a lesser extent, the courts. Complaint volumes at this unprecedented scale are likely to place significant operational pressure on the Financial Ombudsman and may require changes to its processes or case-handling approach, such as significantly increased case-fees or scaling-fees to manage demand.
- 78.** However, we consider any potential response by the Financial Ombudsman to be inherently uncertain and hard to predict. We have therefore not explicitly modelled it in our analysis. This approach avoids inflating the estimated costs in the counterfactual and potentially overstating the benefits of the proposed scheme (given a key benefit of our scheme is to reduce the number of cases reaching the Financial Ombudsman and courts). As a result, we acknowledge that our quantitative approach is likely to be conservative.
- 79.** An alternative counterfactual to an individual firm-led complaints approach could be a coordinated industry-led redress process. As set out in paragraph 199 of CP25/27 CBA, we do not consider this to be a sufficiently likely outcome to incorporate into our central counterfactual. The form and timing of a coordinated event is, again, inherently uncertain. We have not identified clear evidence that firms would organise collectively in this way in the absence of regulatory intervention, or what the consumer response would be.
- 80.** Indeed, historical experience with financial redress programmes of different scales in the UK supports this view. For example, the PPI redress scheme was largely handled by individual firms, with no fully coordinated industry-wide programme. Similarly, in the context of the British Steel Pension Scheme (BSPS) programme, redress was typically administered by individual trustees, rather than through a coordinated approach across the sector.
- 81.** These examples suggest that, even when firms have incentives to resolve complaints efficiently, voluntary coordination is not necessarily guaranteed. There are practical challenges involved in these actions, such as agreeing on a fair and consistent approach to treating consumers, which make a coordinated effort difficult to implement. Any such scheme would need to be compliant with competition law. Feedback from firms to the consultation also revealed a wide divergence of views on what appropriate redress should look like, further complicating the prospects for coordination.
- 82.** On this basis, our counterfactual continues to assume a case-led approach, reflecting both the historical unlikelihood of coordinated firm action and the uncertain operational response of the Financial Ombudsman. We recognise this is a conservative approach, but one that, in our view, is a suitable baseline for assessing the proposed intervention.
- 83.** For our sensitivity analysis, we consider a second counterfactual spanning 9 years, reflecting a longer timeframe more comparable to the PPI redress experience. This reflects a scenario in which fewer referrals would be made to the Financial Ombudsman, thereby easing its operational load, albeit at the expense of slower redress payments to consumers.

Changes to our modelling assumptions

- 84.** Considering feedback received during the consultation and updated evidence collected since the consultation, we have revised some core input assumptions used for our CBA modelling approach.
- 85.** Where our assumptions have not changed from CP25/27, we do not comment on the modelling input in this report. Please see Tables 36 and 37 of [CP25/27: Technical Annex 1](#) for an overview of our reasoning in these instances.
- 86.** We provide a detailed overview of the modelling changes and conclude this chapter with a brief qualitative summary of their impact on the CBA.

Counterfactual case-handling period

- 87.** In the consultation, we assumed a 2-year case-handling period in the counterfactual to align with the approach under our intervention. Following feedback that a longer timeframe would be more appropriate in the counterfactual, we have increased this period from 2 years to 3 years for modelling purposes.
- 88.** This modelling adjustment means in the counterfactual we assume firms have additional time to investigate and resolve cases effectively, which we expect will reduce the volume of cases referred to the Financial Ombudsman and help ease pressure on its caseload.

Overall counterfactual incidence rate and opt-in eligible intervention join rates

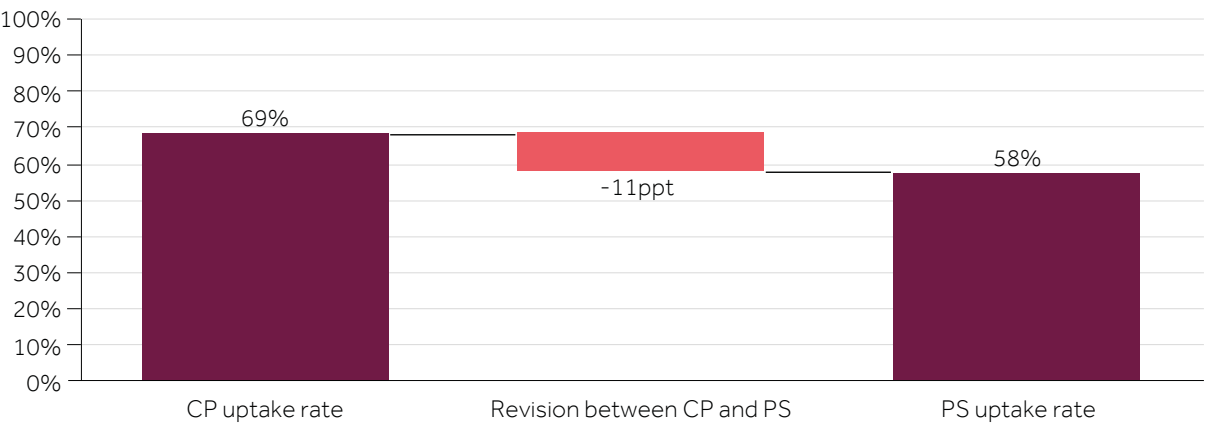
- 89.** In CP25/27 we estimated a counterfactual case incidence rate of 69%, drawing on 2015 survey evidence on PPI case-handling behaviour and stated intentions. We then estimated the benefit of our opt-in eligible intervention as +14ppt higher relative to the counterfactual, taken from relevant evidence from behavioural science literature. This resulted in an opt-in eligible intervention uptake rate of 83%.
- 90.** However, following feedback that this overall intervention uptake rate was too high, we have made some adjustments to both the counterfactual and the opt-in eligible intervention benefit estimates, which impacts our opt-in eligible intervention uptake rate. Table 7 below summarises our changes.

Table 7: Adjustments to our counterfactual and opt-in eligible join rates

Row	Rate	CP25/27	Policy Statement	Difference
1	Counterfactual case incidence rate	69%	58%	-11ppt
2	Opt-in eligible intervention benefit (relative to counterfactual)	+14ppt	+12ppt	-2ppt
3	Opt-in eligible intervention join rate	83%	70%	-13ppt

91. Figure 1 summarises our specific changes to the counterfactual uptake rate.

Figure 1: Changes to our counterfactual uptake rates



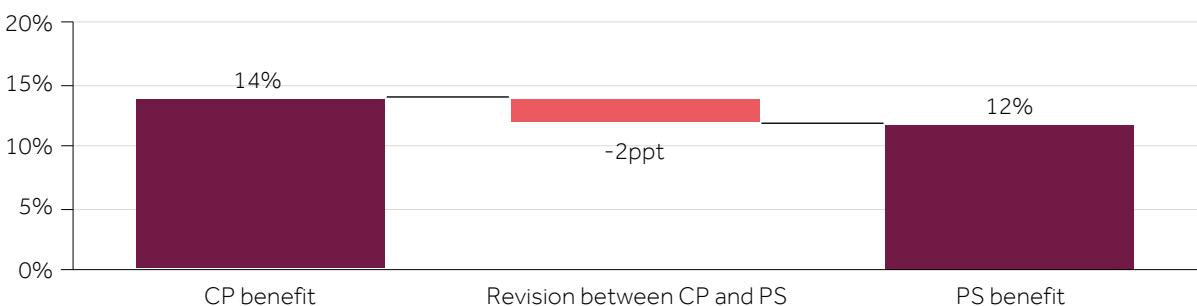
92. Using 69% as a baseline, we have adjusted for features of the PPI programme that materially encouraged case-making but are unlikely to be present in our counterfactual. We have identified two such factors:

- **Proactive firm-led communications:** Under the PPI programme, firms issued up to 7m direct communications to customers. Analysis of associated join rates suggests that these communications accounted for approximately 3.9 percentage points (ppt) of all eligible PPI cases.
- **Extensive PPI public communications campaign from 2017-2019:** Evidence on the effectiveness of that campaign indicates it may have contributed a further 7.5ppt of eligible PPI cases.

93. Taken together, these initiatives account for approximately 11ppt of eligible PPI cases that were likely driven by programme-specific interventions not expected to arise in our counterfactual. Adjusting for these effects reduces the estimated counterfactual case incidence rate from 69% to 58%.

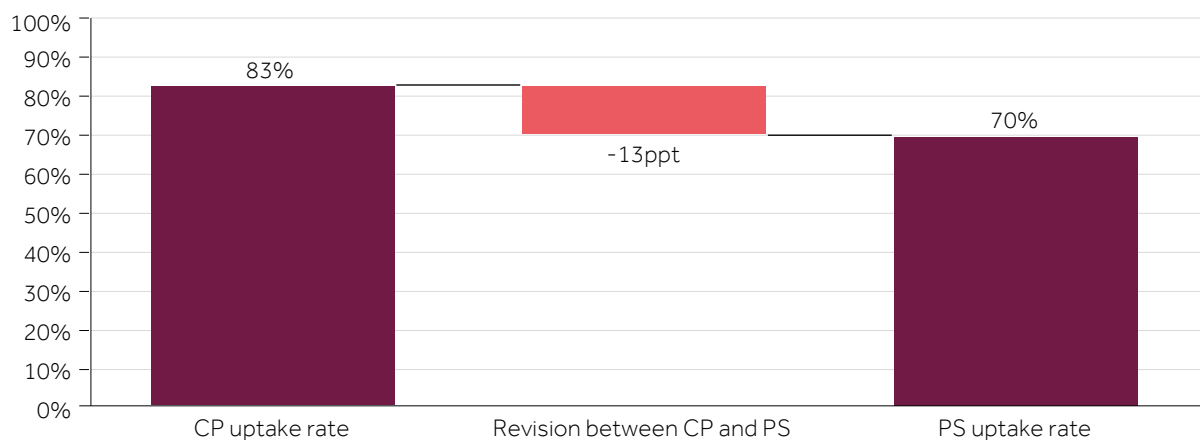
94. Figure 2 summarises our changes to the benefit of our intervention on uptake rate relative to the counterfactual.

Figure 2: Changes to the benefit of our opt-in eligible intervention, relative to our counterfactual



95. In the consultation, we estimated the consumer opt-in join rate for our proposed scheme by analysing the behavioural differences between the counterfactual and the intervention. Specifically, we assessed how the scheme would increase motivation, reduce effort, and address other behavioural frictions, and reflected these factors in higher projected join rates relative to the counterfactual. We assumed this to be +14ppt.
96. Stakeholders queried the overall opt-in eligible join rate and suggested it was too high, based on their own insights and experiences such as PPI.
97. While stakeholders did not provide specific views on the credibility of this intervention benefit estimate, considering the overall strength of stakeholder feedback on our opt-in eligible intervention uptake rate, we have also modestly revised downward this intervention benefit. Our original estimate of +14ppt was taken as the mid-point of an uncertainty range of +9ppt to +20ppt, based on relevant behavioural science evidence. We have reduced this to the mid-point of our original +14ppt and the low estimate of our range, +9ppt. This equates to roughly +12ppt, a reduction of 2ppt.
98. Figure 3 summarises the combined impact of the above changes on our opt-in eligible intervention join rate.

Figure 3: Changes to the opt-in eligible intervention uptake rate in the Policy Statement, relative to the CP



99. Adding our revised impact of intervention to our revised counterfactual gives an overall join rate of 70%, down from 83% in the consultation (-13ppt).

Adjusted estimates of opt-in ineligible join rates

100. Consumers previously classed as opt-in ineligible were assumed in the consultation to receive a letter informing them about the scheme and indicating they were unlikely to receive redress. We estimated this would result in a 41% join rate.
101. Under our final consumer communications policy, these consumers will no longer receive an initial letter, or indeed, any form of communication inviting them to join the scheme (unless they have made or make a complaint or are deemed ineligible due to the firm assessing the case as being time-barred). On that basis, we have revised this assumption by adjusting for the absence of the letter effect and for underlying scheme awareness. The table below outlines our calculations and assumptions.

Table 8: Adjustments to our opt-in ineligible join rates

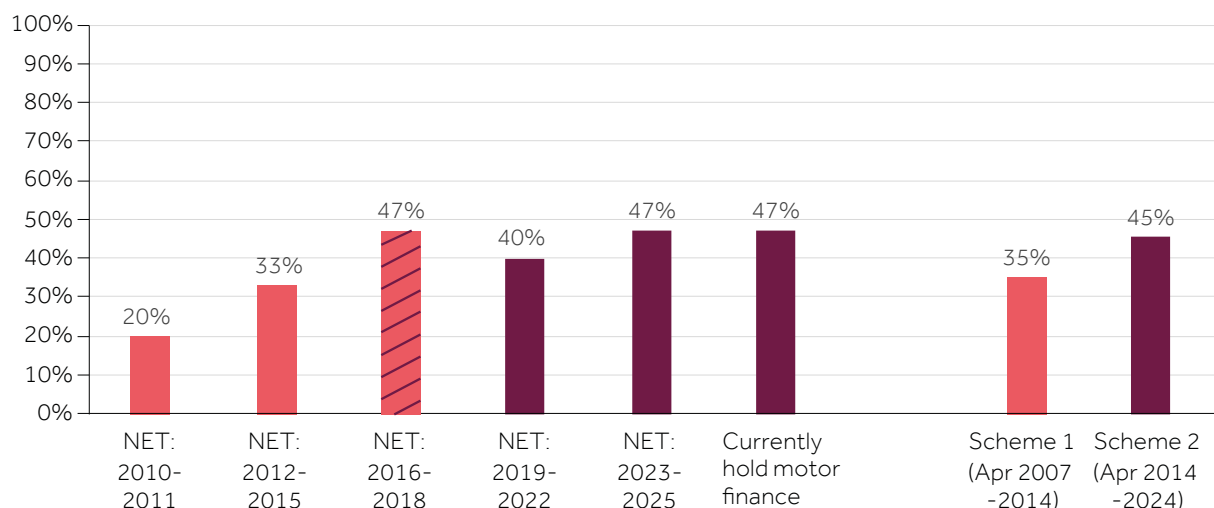
Row	Description	Intervention	
Assumes no policy change			
1	Join rate in consultation	41%	
2	Equivalent join rate in Policy Statement	34%	
Assumes revised policy change			
3	Disbenefit of not receiving any letter	-35%	
4	Join rate without receiving any letter	25%	
5	Awareness of the scheme	Aware	Not Aware
		79%	21%
6	Join rate accounting for awareness	20%	0%
7	Total join rate	20%	

- 102. Row 1.** Consumers previously classed as opt-in ineligible were assumed in the consultation to receive a letter informing them about the scheme, indicating they were unlikely to receive redress. This assumed that relative to the counterfactual uptake (69%) the disbenefit of receiving a communication telling you that you were likely ineligible was twice as impactful as the benefit of receiving a communication telling you that you would likely be eligible (+14ppt). $[69\% - (2 \times 14\text{ppt}) = 41\%]$.
- 103. Row 2.** An equivalent join rate, using revised counterfactual (58%) and intervention benefit rates (+12ppt), but assuming no policy change from the consultation. $[58\% - (2 \times 12\text{ppt}) = 34\%]$.
- 104. Row 3.** The impact of the revised policy change, i.e. the removal of a firm-led communication explaining the scheme for this cohort. While direct evidence on the impact of this policy change on an ineligible cohort is limited, related evidence from behavioural science research suggests the benefit of receiving an invitation reminder communication leads to a 35% increase in uptake.
- 105. Row 4.** Row 2 * Row 3. Assumed join rate, once removing the 35% benefit of receiving any letter explaining the scheme to this ineligible cohort.
- 106. Row 5.** Awareness of the possibility of being owed compensation for motor finance taken from a consumer survey conducted for the consultation.
- 107. Row 6.** Row 4 * Row 5. Splitting join rate by underlying awareness. This incorporates the additional requirement that, in order for consumers to engage in the scheme without being sent a letter, they must already be aware of it, hence 'Not Aware' assumes uptake of 0%.
- 108. Row 7.** Sum of columns in Row 6 to provide a total join rate of 20%.

Temporal estimates on join rates across Scheme 1 and 2 for opt-in eligible and ineligible consumers

- 109.** In light of the temporal split between the 2 schemes, we consider the extent to which join rates may differ across them.
- 110.** For our opt-in eligible consumers, we estimate a join rate of 66% under Scheme 1 and a join rate of 71% under Scheme 2.
- 111.** For opt-in ineligible consumers, we estimate a join rate of 16% under Scheme 1 and a join rate of 21% under Scheme 2.
- 112.** To estimate the impact on uptake rates across the 2 schemes, we use data from a consumer survey conducted for the consultation. We use these estimates only to calculate the relative interest across scheme periods (that is, the percentage point difference between uptake rates across the 2 schemes). These estimates should not be taken as indicative of *absolute* uptake rates.
- 113.** Since the survey was undertaken prior to the publication of our CP, we treat respondents who answered the below options to the following question as 'likely to make a claim':
- Have you made, or are you considering making, a claim for compensation regarding a motor finance agreement? [asked of those who had awareness of the possibility of being owed compensation]*
- 'Yes, I am considering making a claim for compensation' OR
 - 'No, but I plan to make a claim if a redress scheme is introduced'
- 114.** The figure below illustrates interest in making a motor finance claim by when the respondent's last motor finance agreement ended. In this context, NET means that figures are combined across the listed years for that particular group.

Figure 4: Intent to make a motor finance claim, split by time periods and motor finance status



- 115.** In order to estimate whether a respondent's agreement was likely to fall under Scheme 1, Scheme 2, or out of scope of either, we estimated when the agreement was likely to start.
- 116.** Consumer research undertaken for the consultation suggests that the average motor finance agreement is 3.3 years in length. Using response options provided in that survey, we approximate that participants are equally likely to have an agreement of 2,3,4 or 5 years in length (which would equate to an average agreement length of 3.5 years, approximate to the survey findings).
- 117.** This approach enables us to apportion responses across the 2 schemes, for years in which an agreement length determines whether its start date began before Scheme 1's start date, during Scheme 1, or during Scheme 2.
- 118.** For example, for an agreement that ended in 2017, whether it falls under Scheme 1 or Scheme 2 depends on the agreement length. If it was 2 years in length (implying a start date of 2015) it would fall under Scheme 2. If it was 5 years in length (implying a start date of 2012) it would fall under Scheme 1.
- 119.** To estimate uptake in Scheme 1, we apply a weighted average of uptake responses to the following:
- All respondents whose most recent agreement ended between 2012 and 2015
 - 75% of respondents whose most recent agreement ended in 2016
 - 50% of respondents whose most recent agreement ended in 2017
 - 25% of respondents whose most recent agreement ended in 2018
- 120.** We also needed to account for the fact that, for agreements that ended within a few years of 2007, the agreements may have begun prior to Scheme 1's start date, and so would be out of scope for Scheme 1. Therefore, we also included a weighted average of uptake responses of the following:
- 75% of respondents whose most recent agreement ended in 2011
 - 50% of respondents whose most recent agreement ended in 2010
- 121.** To estimate uptake in Scheme 2, we apply a weighted average of uptake responses to the following:
- All respondents with current agreements or whose most recent agreement ended between 2019 and 2025
 - 75% of respondents whose most recent agreement ended in 2018
 - 50% of respondents whose most recent agreement ended in 2017
 - 25% of respondents whose most recent agreement ended in 2016
- 122.** Based on these calculations, we estimate uptake in Scheme 2 to be 10ppt greater than in Scheme 1.

123. The table below outlines our calculations across join rates and any associated assumptions.

Table 9: Adjustments to our join rates

Row	Description	Counterfactual		Intervention – Opt-In Eligible		Intervention – Opt-In Ineligible	
		Scheme 1 (2007-2014)	Scheme 2 (2014-2024)	Scheme 1 (2007-2014)	Scheme 2 (2014-2024)	Scheme 1 (2007-2014)	Scheme 2 (2014-2024)
1	Temporal disbenefit of Scheme 1 agreement	-10ppt	–	-5ppt	–	-5ppt	–
2	Proportion of agreements falling in each scheme	28%	72%	28%	72%	28%	72%
3	Total uptake across the two schemes	50%	61%	66%	71%	16%	21%
4	Total uptake rate	58%		70%		20%	

124. Row 1. Consumer survey insights, outlined above, indicate that consumers whose agreements likely began before April 2014 (Scheme 1) are 10ppt less likely to express interest than those whose agreements began after April 2014 (Scheme 2).

125. Our intervention is designed intentionally to overcome barriers to engaging with a redress scheme. The same consumer survey insights highlight a number of barriers to engagement that are likely to disproportionately affect consumers with older arrangements ('Don't have the paperwork anymore', 'It is too long ago'). We therefore assume our intervention could disproportionately overcome barriers for Scheme 1 agreements (and so reduce the temporal disbenefit). Absent any data, we assume this disbenefit is halved to -5ppt. Given the uncertainty of this estimate, we later undertake sensitivity analysis assuming higher (8ppt) and lower (3ppt) differentials under our intervention.

126. Row 2. The proportion of agreements falling under each scheme, based on DD1 data.

127. Row 3. The uptake rate for each scheme conditional on temporal difference in Row 1.

128. Row 4. Row 2 * Row 3. Combining uptake rates across both schemes to provide the overall uptake rate.

Adjusted estimates of join rates for eligible agreements

129. In CP25/27, we estimated that 84.7% of unfair relationship cases will join the scheme. This proportion represented a weighted average of the proportion of agreements that sat within the opt-in eligible consumer cohort (83%) and the opt-out eligible consumer cohort (95%).

- 130.** In this CBA, we present an updated weighted join rate based on our adjusted estimates of the opt-in eligible join rate, as discussed above. Our assumption of the 95% opt-out eligible join rate remains as before.
- 131.** We estimate that 75% of unfair relationship cases are joined across the 2 schemes. This consists of 72% of cases in Scheme 1 and 76% of cases in Scheme 2. The overall estimate is weighted towards Scheme 2 due to the greater number of agreements in that scheme and the later scheme agreement. The calculations are presented below.

Table 10: Adjustments to our join rates applied to eligible agreements

Row	Description	Scheme 1	Scheme 2	Total (Scheme 1 + 2)
1	% of agreements in opt-in	79.5%		
2	% of agreements in opt-out	20.5%		
3	Opt-in eligible join rate	66%	71%	70%
4	Opt-out eligible join rate	95%		
5	Join rate applied to eligible agreements	72%	76%	75%

- 132. Row 1.** The proportion of agreements that receive an opt-in communication.
- 133. Row 2.** The remaining proportion of agreements that receive an opt-out communication.
- 134. Row 3.** The revised opt-in eligible join rates as presented in Table 9 above.
- 135. Row 4.** The opt-out eligible join rates – consistent with the approach taken in the consultation
- 136. Row 5.** To estimate the weighted join rate, we first multiply the % of opt-in agreements (Row 1) with the opt-in eligible join rates for each scheme (Row 3). We then multiply the % of opt-out agreements (Row 2) with the opt-out eligible join rate of 95% (Row 4). The sum of these calculations (for each scheme) represents the weighted average join rate across opt-in and opt-out consumer cohorts.

Cases submitted through claims management companies (CMCs) and other professional representatives (PRs)

Table 11: Adjustments to the percentage of complaints through CMCs and other PRs

Row	Description		Low	Central	High
1	CP25/27 CMC/PR rate	Counterfactual	61%	76%	90%
2		Intervention	12%	44%	76%
3	Policy Statement CMC/PR rate	Counterfactual	28%	44%	76%
4		Intervention	12%	28%	44%

- 137. Row 1.** In the consultation, we assumed a 'central' estimate of 'proportion of cases submitted through PRs/CMCs' of 76% in the counterfactual. This was calculated using responses from 30 firms which suggested that the majority of firms have experienced 76% of their cases so far from PRs/CMCs. Our 'high' estimate was taken from a Financial Ombudsman announcement in Q1 2024/25 reporting that around 90% of motor finance commission cases were submitted by PRs in Q1 2024/25. We deducted the difference between our 'central' and 'high' estimates from our 'central' estimate to obtain our 'low' estimate of 61%.
- 138. Row 2.** In the consultation, we assumed a 'central' estimate of 44% in the intervention scenario. This was estimated as the mid-point of our 'high' estimate of 76%, which was the 'central' estimate in the consultation, and our 'low' estimate of 12%. The 12% is taken from the FCA's 2024 Financial Lives Survey evidence on the proportion of consumers with low financial capability. We approximate this as a minimum proportion of consumers who may require support in navigating a counterfactual case-handling process.
- 139. Row 3.** We have updated our counterfactual estimates in light of the revised Financial Ombudsman referral fee structure announced last year which, in our view, will reduce CMC engagement in the counterfactual. Reporting from PPI firm monitoring indicates that, by 2014, 47% of cases were made through CMCs. Given we expect the revised referral fee structure would reduce CMC engagement, we estimate CMC engagement to be lower than this in our counterfactual. Our 'central' estimate is now 44%, equivalent to our intervention 'central' estimate in the consultation. Our 'high' estimate is 76%, taken from the 'central' counterfactual estimate of the consultation. Our 'low' estimate is 28%, taken from our revised 'central' estimate for the intervention (see Row 4 below).
- 140. Row 4.** We have updated our intervention estimates. Our 'high' estimate is now 44%, our updated 'central' estimate in the counterfactual. Our 'low' estimate remains 12% from the FCA's 2024 Financial Lives Survey evidence on the proportion of consumers with low financial capability. Our 'central' estimate of 28% is the mid-point of these two.

Monetisation of firm court costs

- 141.** The scheme is likely to be faster and simpler for consumers, so reducing the likelihood of pursuing claims in court. In the absence of the scheme, firms would incur costs associated with defending court proceedings, including external legal fees and internal resource costs.
- 142.** In the consultation, we did not quantify court-related costs in the counterfactual due to lack of data that addressed uncertainty around the proportion of cases that would progress through the courts and the cost of these cases. We now monetise these counterfactual litigation costs to firms using evidence from Round 6 of the motor finance commission monitoring survey. However, it is still uncertain what proportion of cases would progress through the courts in the counterfactual.
- 143.** Claims may also be pursued through group litigation mechanisms. We also recognise that, at the time of writing, a single omnibus claim form can be used to bring claims from multiple parties following the decision in *Angel and others v Black Horse and others* [2025]

EWHC 490 (KB). However, whether the decision in *Angel* could lead to bulk motor finance claims is uncertain (and the case itself is being appealed). For example, whether it would be possible to deal with certain unfair relationship claims in this way would ultimately depend on the facts and the way the case management judge proposes to deal with the claims.

- 144.** In addition, the cost implications for firms are highly uncertain and case-specific. Given the uncertainty surrounding take-up, case progression and outcomes, we have not incorporated group litigation into our modelling of firm costs.

Consideration of 'dual track' claims

- 145.** We use 'dual track' claims to describe cases where legal proceedings have been initiated but not concluded before the scheme has started or have been initiated after the scheme has started. This can be initiated by 2 groups of consumers:

- Those who issued claims before the scheme effective date.
- Those who will issue claims after the scheme effective date.

- 146.** Our CP excepted from the scheme a consumer who had a case that related to the subject matter of the scheme decided by the Court prior to the scheme effective date, regardless of the outcome. However, the CBA did not consider the scenarios where proceedings have been issued but are not yet decided or are issued after the scheme start. If a case is taken through the scheme at the same time there are court proceedings running, there is the potential for the firms, consumers and the court system to incur costs above and beyond the operational costs associated with the scheme – that is, costs are incurred from the scheme and the courts.

- 147.** However, evidence from Round 6 of the motor finance commission firm monitoring survey indicates that incorporating a dual track approach would have a negligible impact on costs incurred by firms. This is driven by:

- i. the small number of successful court cases reported by firms in the survey (around 7,000 cases in aggregate over 3 years)
- ii. the additional friction of pausing a scheme application to follow a court process.

- 148.** To contextualise point (i), civil courts in England and Wales heard approximately 48,743 trials across all categories of disputes in 2024, whereas the Financial Ombudsman resolved around 293,000 financial cases in the same period. This contrast illustrates that, in practice, the overwhelming majority of consumer and civil disputes are resolved through alternative dispute resolution mechanisms rather than through the courts.

- 149.** We also note that 1 percent of all potential agreements within scope equates to around 320,000 cases progressing to court. This would represent around 145 times the volume of cases as estimated from the firm monitoring survey. Relative to the levels observed to date, such an increase appears highly unlikely.

- 150.** On this basis, we do not consider it likely that consumers would be more inclined to pursue court proceedings following the introduction of a consumer scheme. On the contrary, the relative accessibility and simplicity of the scheme to consumers would be expected to reduce reliance on litigation. We have, therefore, not included incremental court-related costs in the final cost estimates, as any such costs are expected to be negligible.
- 151.** The final scheme also provides firms with the option to pause scheme consideration of cases where legal proceedings are ongoing until there is confirmation of how those proceedings will be resolved. In practice, this is expected to limit the risk of cases progressing on parallel tracks, as we believe that it would be unlikely for a firm to allow a case to proceed simultaneously through both processes, given the potential for duplicative costs.

Financial Ombudsman rates and fees under the CRS

- 152.** We have revised and updated several Financial Ombudsman rates and fees when applied under the proposed scheme. The equivalent rates and fees remain unchanged under the counterfactual.

Financial Ombudsman referral rate (consumer disagrees with final redress determination)

- 153.** We previously estimated that the Financial Ombudsman referral rate through our CRS would be 0%, 7.5%, and 15% respectively in the low, central, and high scenarios. At the time, we noted that the proportion of cases which went to the Financial Ombudsman under the British Steel Pension Scheme (BSPS) was 5%. We uplifted this by 2.5ppt to obtain our central estimate in CP25/27, which reflected that the prevalence of CMCs and other PRs has increased.
- 154.** In February 2025, the Financial Ombudsman announced a new charging structure of £250 for CMCs and PRs, with representatives receiving £175 back if the case outcome is in favour of the consumer. We believe that the introduction of these fees is likely to reduce the number of referrals submitted by representatives to the Financial Ombudsman.
- 155.** As a result, we have revised our central estimate of referrals downwards to 5%. Our low estimate remains at 0%, and our high estimate is reduced to 10% to reflect our uncertainty.
- 156.** It is important to note that the central estimate set out above assumes no additional regulatory intervention. In particular, it does not account for the impact of our supervisory strategy, any steps the Financial Ombudsman may take to manage or reduce unnecessary referrals, or the effect of professional representative charging. As such, these factors could materially influence the volume of referrals in practice and may help to explain the gap between the central estimate and the lower bound.

Financial Ombudsman fees under the CRS

- 157.** We previously estimated that the Financial Ombudsman would charge the maximum case fee of £650 for all Financial Ombudsman referrals from the CRS, such as cases where the complainant did not agree with the firm's final redress determination.
- 158.** Discussions with the Financial Ombudsman indicate that they are actively considering whether it would be appropriate to charge differentiated case fees for scheme cases, where the quality of firm response is sufficient to reduce the effort required by the Financial Ombudsman to determine a case. However, no decision has been made.
- 159.** For the purposes of this analysis, we have therefore applied the full case fee to avoid speculation about any potential future changes. We also increase the case fee from £650 to £680 to reflect the proposed changes in the recent consultation undertaken by the Financial Ombudsman. We apply the consulted fee of £680 to our central and upper bound estimates and use the existing £650 case fee as a lower bound.
- 160.** This applies to all cases referred to the Financial Ombudsman, including those referred at the screening stage and those referred at the case assessment stage.

Financial Ombudsman referral rate (consumer disagrees; de-minimis, and APR screening) under the CRS

- 161.** Agreements screened out under commission de-minimis, or zero APR remain scheme cases but will be ineligible for a full Financial Ombudsman case assessment (to determine if an agreement is fair and reasonable) under our scheme design. Thus, the Financial Ombudsman referral rate for these agreements under a full case fee is estimated to be 0% under the low, central, and high estimates.

Financial Ombudsman referral rate (consumer disagrees; UR screening) under the CRS

- 162.** The Financial Ombudsman referral rate for agreements that do not proceed to full case assessment is assumed to be equivalent to those that do. This reflects the possibility that some consumers may disagree with a firm's assessment of their eligibility under the scheme and may therefore refer the matter to the Financial Ombudsman. Our point estimates for the low, central, and high scenarios are therefore 0%, 5%, and 10% respectively.

Financial Ombudsman referral rate (consumer disagrees; limitations period and high loan value) under the CRS

- 163.** Agreements screened out under the limitations period screening are not treated as scheme cases. Thus, the Financial Ombudsman referral rate for these agreements is estimated to be in line with those in the counterfactual as we are now, in effect, treating them as agreements that sit within a case-led scenario. We estimate that the Financial Ombudsman referral rate for these agreements will be slightly higher than the referral rate for agreements in the counterfactual, as consumers will be told that they can explore alternative means to complain (such as through the Financial Ombudsman).

- 164.** We uplift our counterfactual Financial Ombudsman referral rate by 20% in each of the low, central, and high scenarios. Our estimated referral rates are therefore 12% in the low scenario, 30% in the central scenario, and 48% in the high scenario.
- 165.** We also apply this assumption to agreements that represent high loan values above the 99.5th percentile. These are not considered scheme cases and can be referred to the Financial Ombudsman.

Financial Ombudsman scaling fees under the counterfactual

- 166.** We apply an equivalent methodology to that used in CP25/27 to estimate the Financial Ombudsman scaling fees. At the time, we uplifted the PPI scaling fee by the proportionate increase in Financial Ombudsman case fees since PPI. These fees increased from £500 to £650 over the period, such that we applied a 30% uplift to the PPI scaling fees.
- 167.** In line with our increase in the Financial Ombudsman fees from £650 to £680 in the central and high scenarios, we apply an uplift of 36% (calculated as £680 divided by £500). Thus, our Financial Ombudsman scaling fees in the central and high scenarios become £476.

Other revisions to assumptions and costs

- 168.** We have revised several other variables related to the proposed scheme.

Time involved in high loan value, de-minimis commission, and APR screenings (minutes) under the CRS

- 169.** Under the scheme's design features there are exclusions to be applied by firms for high loan value and exceptions to be applied for zero APR agreements and de minimis commission. As set out in Table 6, the circumstances under which these exclusions and exceptions apply are discussed in more detail in the Policy Statement.
- 170.** We anticipate that screening for these 3 conditions will generally be a quick process which does not involve in-depth analysis or calculations. Further, Round 6 of our Firm Commission Monitoring Survey suggests that many firms are investing in technology to increase the speed of the UR screening process. We anticipate that could be used to speed up the screening process for excepted agreements.
- 171.** We set our low, central, and high estimates for these screening exercises at 5 minutes each for high loan value and de minimis screening to reflect the quick nature of these checks. For APR screening, we anticipate that these checks could take slightly longer. If a 0% APR is applied, this would be a quick check. However, checking for low APR may require firms to conduct analysis. We therefore estimate that these checks would take 5, 10, and 15 minutes in the low, central, and high scenarios.

- 172.** We apply these assumptions to every agreement and multiply this time by the cost of case-screening employees to estimate the costs to firms arising from these screening exercises.

Time involved in eligibility screening under the CRS

- 173.** In the absence of firm-level data, our central case in the consultation assumed that firms would spend around 60 minutes per case to screen an agreement for eligibility checks to determine if an unfair relationship existed. Since then, we have gathered firm-level data around the time involved to screen each agreement through Round 6 of our Firm Commission Monitoring Survey to improve our estimates. The data indicates that, on average, a firm spends approximately 11 minutes (mean) to conduct an eligibility screening check for an agreement. Thus, firms' own estimates are used to estimate the costs involved with the eligibility screening in the low and central scenarios. We apply a 100% uplift in the high-cost scenario as a conservative approach to reflect a scenario with a higher proportion of tied arrangements that require more detailed checks to assess whether any contractual relationship between the lender and broker was inadequately disclosed.

Time involved in limitations period screening (minutes) under the CRS

- 174.** Firms will be required to carry out limitations period screening on all agreements at the time they assess whether the case is a scheme case (that is, before assessing liability or any redress). The time required to complete this screening will vary depending on the type of case and the level of disclosure available. In some cases, firms may need to undertake a more detailed review to determine whether adequate disclosure was provided. On average, we estimate that this screening exercise will take approximately 15 minutes per case, which we use in our central estimate. For our lower and upper bounds, we apply 10 and 20 minutes respectively.

Summary of modelling changes

- 175.** The table below summarises the modelling changes made between consultation and the final Policy Statement that are relevant to the CBA.

Table 12: Summary of policy changes from consultation to Policy Statement relevant to CBA

Modelling assumption	Affected parties	Impact on CBA
Counterfactual case-handling period	Firms, Financial Ombudsman	Significant downward impact on counterfactual costs; reduces scheme-measured incremental benefits.
Overall counterfactual incidence rate	Consumers, firms, Financial Ombudsman	Significant downward impact on firm costs through reduced case-incidence rates through a case-led approach and, subsequently, fewer agreements for review by firms and by the Financial Ombudsman.

Modelling assumption	Affected parties	Impact on CBA
Adjusted estimates of opt-in eligible join rates	Consumers, firms	Significant downward impact on firm scheme costs. Although redress liabilities are not captured in the CBA, we note that estimated redress liabilities also fall because of the downward shift in consumer join rates.
Adjusted estimates of opt-in ineligible join rates	Consumers, Firms	Significant downward impact on firm scheme costs. As above, estimated redress liabilities drop as a result of the downward shift in consumer join rates.
Cases submitted through CMCs and other PRs	Consumers	Minor reduction in consumer costs.
Monetisation of firm court costs	Firms	Minor upward impact on counterfactual firm costs; increasing relative benefit of CRS.
Consideration of dual track claims	Firms, Consumers, Financial Ombudsman	No material change in the intervention.
Financial Ombudsman referral rate (consumer disagrees with final redress determination)	Financial Ombudsman, Firms	Reduction in firm costs incurred via the Financial Ombudsman case fees in the intervention.
Financial Ombudsman fees under the CRS	Financial Ombudsman, Firms	Increase in firm costs incurred via the Financial Ombudsman case fees in the intervention.
Financial Ombudsman referral rate (consumer disagrees; eligibility check only) under the CRS	Financial Ombudsman, Firms	Reduction in firm costs incurred via the Financial Ombudsman case fees in the intervention.
Financial Ombudsman referral rate (consumer disagrees; limitation periods and high loan values) under the CRS	Financial Ombudsman, Firms	Downward impact on ongoing variable firm costs as high loan value agreements and time-barred agreements are not considered scheme cases. As these cases fall outside the redress scheme, complainants may escalate them to the Financial Ombudsman, partially offsetting the anticipated operational cost savings.
Financial Ombudsman scaling fees under the counterfactual	Financial Ombudsman, Firms	Increase in firm costs incurred via the Financial Ombudsman scaling fees in the counterfactual.
Time involved in eligibility screening under the CRS	Firms	Significant reduction in firm eligibility screening costs based on Round 6 Firm Monitoring Commission survey data.

Summary of final modelling assumptions

- 176.** Our modelling approach captures the impacts of the 2 schemes separately to identify and assess the costs and benefits associated with each instrument. Scheme 1 covers agreements entered between 6 April 2007 and 31 March 2014, while Scheme 2 applies to agreements entered between 1 April 2014 and 1 November 2024.
- 177.** Our core modelling approach and several key assumptions remain unchanged from our consultation approach. We continue to apply the following assumptions:
- Redress liability estimates are not treated as a cost to firms.
 - Any redress paid to consumers is considered a benefit to consumers, although these benefits have not been quantified for inclusion in our net present value estimates.
 - Redress liabilities accrue to firms rather than to brokers such as motor dealerships and may be associated with both discretionary commission arrangements and non-discretionary commission arrangements.
 - Impacts are assessed over a 2-year appraisal period (instead of a standard 10-year time horizon) to reflect the expectation that all activity arising from the intervention will occur early in the time horizon.
 - Future costs and benefits are discounted at a rate of 3.5% in line with HM Treasury's Green Book.
 - All relevant firms are assumed to comply with our rules and guidance and to take reasonable steps to deliver fair outcomes to consumers in a timely manner.
 - In modelling non-redress costs, we draw on responses from a survey of firms covering 89% of the market and that after reweighting, is broadly representative of over 99.9% of the market. We assume that firms' responses to the survey are accurate and that in sample firms are representative of the wider market.

Counterfactual assumptions

- 178.** The table below summarises the quantitative assumptions used in the updated counterfactual modelling across low, central and high scenarios.

Table 13: Quantitative assumptions used to model the 'do nothing' counterfactual

Modelling input	Low scenario	Central scenario	High scenario
Case incidence rate (April 2007 – March 2014)	40.1%	50.1%	60.1%
Case incidence rate (April 2014 – November 2024)	50.5%	60.5%	70.5%
Case incidence rate (April 2007 – November 2024)	47.6%	57.6%	67.6%
Working hours per month	134.17	134.17	134.17
Financial Ombudsman referral rate (out of time)	10.0%	30.0%	50.0%

Modelling input	Low scenario	Central scenario	High scenario
NPV annual discount rate	3.5%	3.5%	3.5%
Financial Ombudsman referral rate (consumer disagrees with redress determination)	10.0%	25.0%	40.0%
Variable cost per case (non-labour cost)	21.0%	21.0%	21.0%
Financial Ombudsman fee for handling cases	£650	£680	£680
Financial Ombudsman scaling cost per case	£455	£476	£476
Consumer case time (firm only)	60 minutes	122.5 minutes	185 minutes
Consumer case time (firm and Financial Ombudsman)	100 minutes	187.5 minutes	275 minutes
Consumer case time (using CMCs)	48 minutes	60 minutes	72 minutes
Value of consumer time	£7.49	£7.57	£35.20
Proportion of cases submitted through a PR or CMC	27.88%	43.75%	75.50%

Intervention assumptions

- 179.** In CP25/27, we did not provide separate point estimates for the pre- and post- April 2014 periods, given that our preferred intervention was based on the entire 2007-2024 period. We now provide separate point estimates for Schemes 1 and 2 to reflect temporal impacts on join rates. The table below summarises the assumptions used in the updated intervention modelling across low, central and high scenarios.

Table 14: Quantitative assumptions on the expected impact of our intervention

Modelling input	Opt-in consumers			Opt-out consumers		
	Low	Central	High	Low	Central	High
CRS Join Rate 2007 – 2024: Eligible	57.6%	69.6%	95.0%	95.0%	95.0%	100.0%
CRS Join Rate 2007 – 2024: Ineligible	13.8%	19.7%	25.5%	0.0%	0.0%	0.0%
CRS Join Rate 2007 – April 2014: Eligible	53.9%	65.9%	91.3%	95.0%	95.0%	100.0%
CRS Join Rate 2007 – April 2014: Ineligible	10.1%	16.0%	21.8%	0.0%	0.0%	0.0%
CRS Join Rate April 2014 – 2024: Eligible	59.1%	71.1%	96.5%	95.0%	95.0%	100.0%
CRS Join Rate April 2014 – 2024: Ineligible	15.3%	21.2%	27.0%	0.0%	0.0%	0.0%
Working hours per month	134.17	134.17	134.17	134.17	134.17	134.17

Modelling input	Opt-in consumers			Opt-out consumers		
	Low	Central	High	Low	Central	High
Financial Ombudsman referral rate (out of time)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NPV annual discount rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Financial Ombudsman referral rate (consumer disagrees with final redress determination)	0.0%	5.0%	10.0%	0.0%	5.0%	10.0%
Variable cost per case non-labour cost	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Case handling efficiency gain uplift	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial Ombudsman fee	£650	£680	£680	£650	£680	£680
Financial Ombudsman scaling cost per case	£0	£0	£0	£0	£0	£0
Consumer case time (firm only)	20	75	130	10	40	70
Consumer case time (firm and Financial Ombudsman)	60	137.5	225	50	102.5	165
Consumer case time (using CMCs)	48	60	72	48	60	72
Value of consumer time	£7.49	£7.57	£35.20	£7.49	£7.57	£35.20
Proportion using CMCs	12.00%	27.88%	43.75%	12.00%	27.88%	43.75%
Voluntary costs	£0	£0	£0	£0	£0	£0
Time involved in high loan value screening (minutes)	5	5	5	5	5	5
Time involved in de-minimis screening (minutes)	5	5	5	5	5	5
Time involved in APR screening (minutes)	5	10	15	5	10	15
Multiplier for time involved in UR screening	100%	100%	200%	100%	100%	200%
Time involved in limitations period screening (minutes)	10	15	20	10	15	20
Financial Ombudsman referral rate (consumer disagrees; high loan value screening)	12.0%	30.0%	48.0%	12.0%	30.0%	48.0%
Financial Ombudsman referral rate (de-minimis screening)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial Ombudsman referral rate (consumer disagrees; eligibility screening)	0.0%	5.0%	10.0%	0.0%	5.0%	10.0%
Financial Ombudsman referral rate (consumer disagrees; limitations period and high loan values)	12.0%	30.0%	48.0%	12.0%	25.0%	48.0%
Financial Ombudsman referral rate (consumer disagrees; APR screening)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The impact of our intervention

Summary of quantified costs and benefits

- 180.** This section contains estimated nominal monetised impacts of our intervention covering each scheme and relative to the counterfactual. We summarise the nominal costs of the 2 schemes against the counterfactual under our central scenario. We present sensitivity analyses later in this CBA.
- 181.** Our analysis finds that the proposed scheme leads to significantly lower firm operational and consumer time costs (£6.1bn in nominal terms) compared to the counterfactual, demonstrating substantial savings for firms and consumers.
- 182.** Most of the savings under Scheme 2 – about £5.0bn, or over 80% of total firm savings – come from avoiding the higher operational costs they would incur without the scheme. This is because in the counterfactual scenario, the Financial Ombudsman would review significantly more cases, each carrying a case fee of £680. By reducing the number of cases reaching the Financial Ombudsman, the scheme avoids both the additional operational activity and the associated costs, leading to the large observed savings.
- 183.** We note that the counterfactual cost estimate of £8.0bn in the Policy Statement has decreased from the £9.3bn estimate provided in the consultation. This reduction reflects our revised counterfactual assumptions, namely a fall in the complaint incidence rate from 69% to 58% and an extension of the complaints-handling period for firms from two to three years. Together, these changes reduce the number of referrals to the Financial Ombudsman and provide a revised estimate of the costs that would be incurred in the absence of the scheme.

Table 15: Summary of estimated nominal monetised impacts

Monetised costs	Counterfactual	Intervention	Benefits (savings)
Scheme 1 – 6 April 2007 to 31 March 2014			
Total firm costs	£1,751.2m	£478.6m	£1,272.5m
Consumer time costs	£61.4m	£23.3m	£38.1m
Scheme 2 – 1 April 2014 to 1 November 2024			
Total firm costs	£6,209.8m	£1,171.3m	£5,038.5m
Consumer time costs	£189.4m	£54.1m	£135.3m
Schemes 1 & 2 – 6 April 2007 to 1 November 2024			
Total firm costs	£7,961.0m	£1,649.9m	£6,311.1m
Consumer time costs	£250.8m	£77.4m	£173.5m

- 184.** Figures 5-7 below present the modelling process for the counterfactual and scheme firm cost calculations (in nominal terms).

Figure 5: Illustrative overview of counterfactual firm cost calculations (nominal estimates)

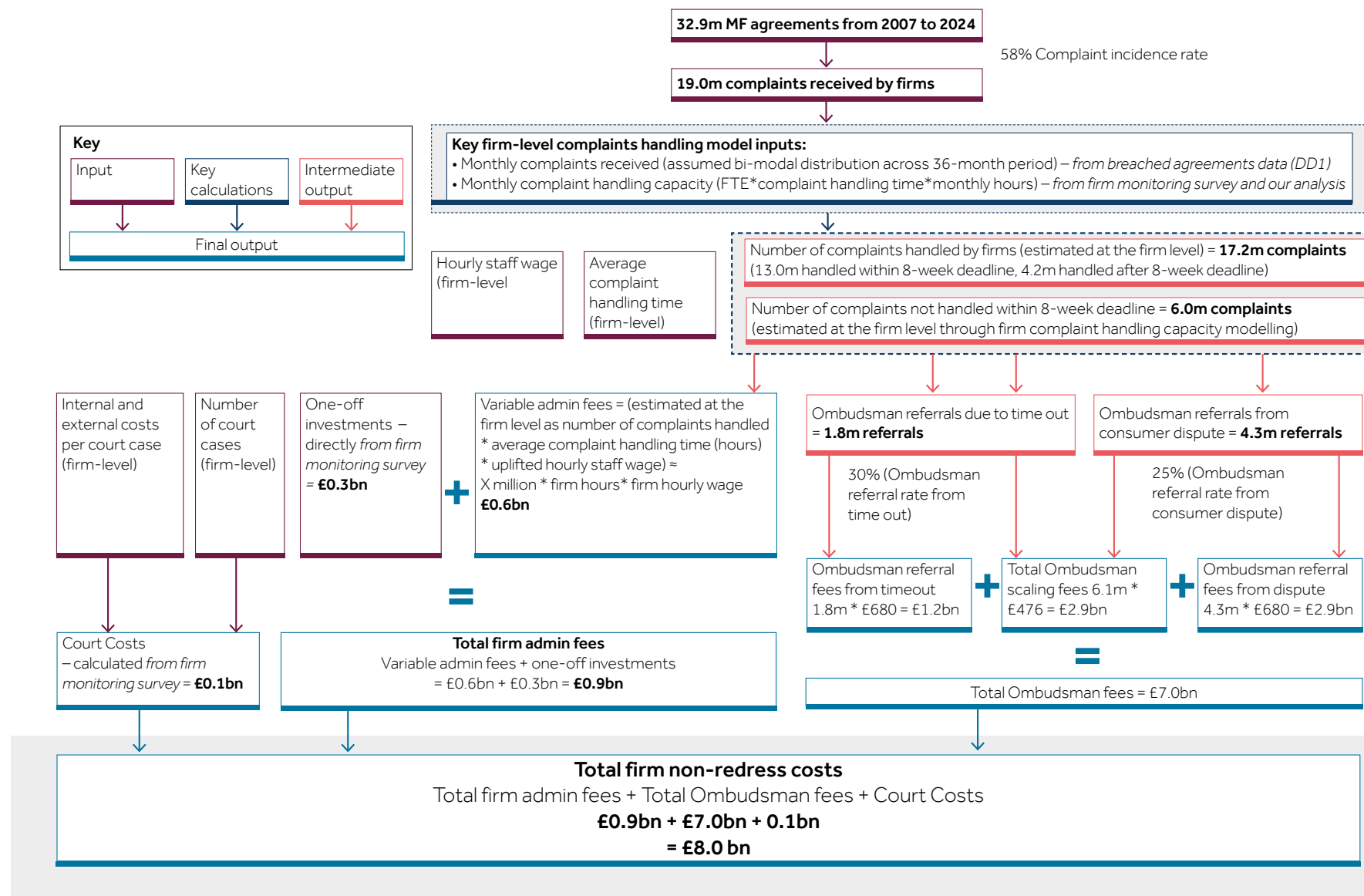


Figure 6: Illustrative overview of Scheme 1 firm cost calculations (nominal estimates)

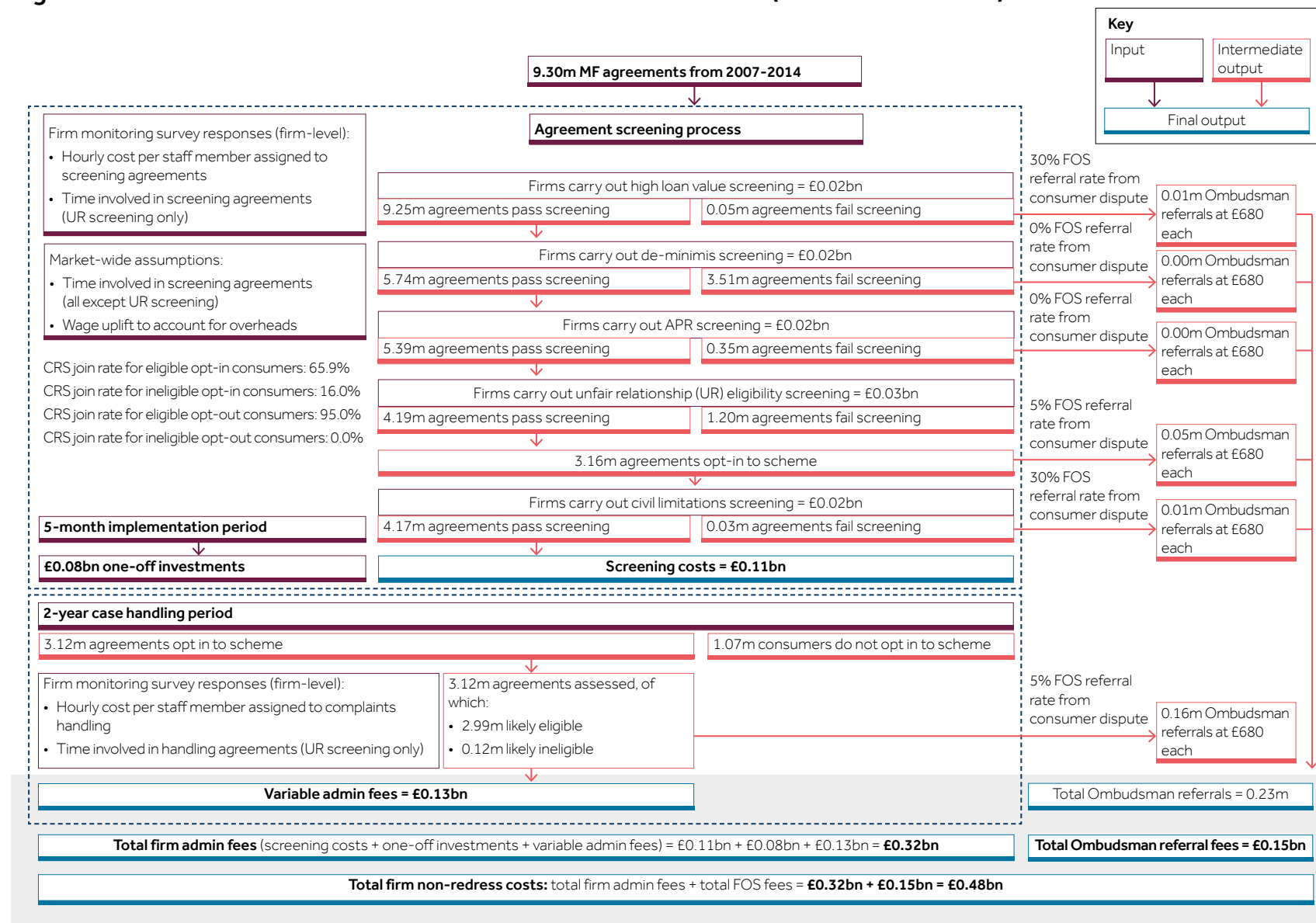
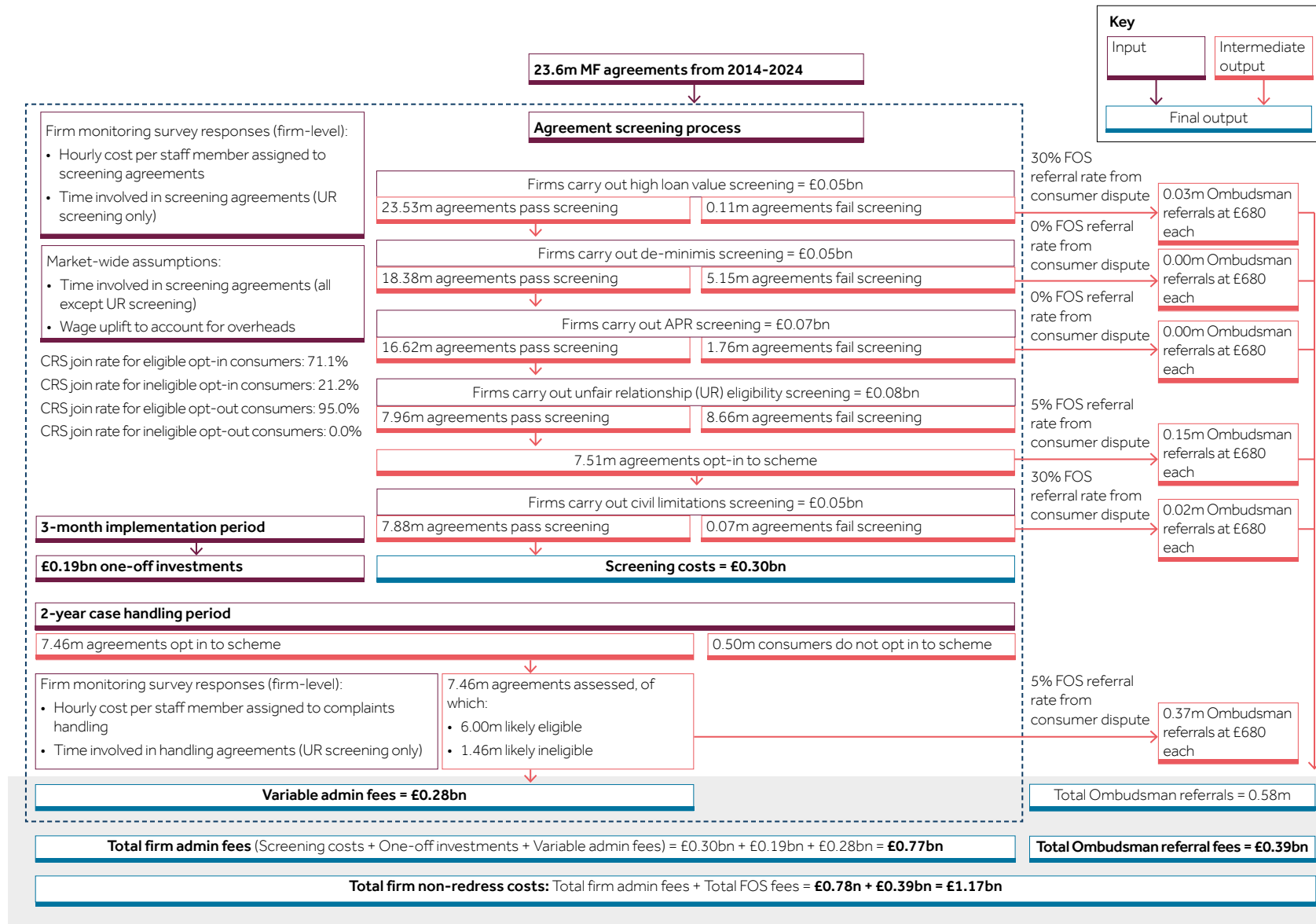


Figure 7: Illustrative overview of Scheme 2 firm cost calculations (nominal estimates)



- 185.** Having presented nominal cost estimates above, we now present our net present value (NPV) analysis. This converts the projected costs and benefits into present day terms, enabling a consistent assessment of the scheme's overall impact compared with the counterfactual.
- 186.** Table 16 summarises the present value (PV) of benefits and costs, and the resulting NPV for Scheme 1 and Scheme 2 over the appraisal period. In line with standard regulatory appraisal best practice, we have considered what impacts may occur over a 10-year appraisal period. We assume that the costs of administering the redress scheme occur within the first 3 years of this period. Discounting over the appraisal period at 3.5%, we estimate a NPV of £1.2bn for Scheme 1 and £4.8 bn for Scheme 2 for a total NPV of £6.0bn across both schemes.

Table 16: NPV calculations

	Scheme 1	Scheme 2	Total
PV benefits (excluding gains to consumer redress)	£1,387.4m	£5,286.6m	£6,674.0m
PV costs	£192.8m	£471.8m	£664.6m
NPV	£1,194.6m	£4,814.8m	£6,009.4m

- 187.** Table 17 below presents our estimate of the Equivalent Annual Net Direct Cost to Business (EANDCB). This is an estimate of the annualised net direct cost to business over the period in which impacts of the scheme are expected to accrue. For the purposes of estimating the EANDCB of both schemes, we have used an annuity factor corresponding to the timeframe over which all impacts attributable to the redress schemes are expected to have occurred.
- 188.** A positive EANDCB indicates that the scheme places a net direct cost upon firms. On this basis, Scheme 1 generates an annualised net direct cost to business of £22.6m, while Scheme 2 generates £45.7m. Across both schemes, this equates to an overall annualised net direct cost of £68.2m to firms over the period in which impacts are expected to occur.

Table 17: Net direct cost to firms

	Total (Present Value) Net Direct Cost to Business	EANDCB
Scheme 1	£79.3m	£22.6m
Scheme 2	£246.7m	£45.7m
Total	£326.0m	£68.2m

- 189.** For completeness we also present a comparison of the final CBA nominal cost estimates for the scheme with the nominal costs of the CBA from our updated consultation estimates – both adjusted for the new modelling assumptions around scheme uptake rates and unadjusted.

- 190.** In summary, the numbers were adjusted to more accurately reflect the proposals in CP25/27 and incorporate the most available data. This led to the number of eligible agreements for redress rising from 14.2m to 16.8m. We subsequently re-estimated the total firm costs for the scheme taking account of the revised uptake rate of 75% for all agreements across 2007-2024.
- 191.** Based on the new uptake rate, the updated number for total firm costs for the intervention under CP25/27 is £2.54bn. We note that the nominal costs in the CBA in this Policy Statement (£1.65bn) are lower than those presented in the updated consultation estimates. However, this difference is less pronounced once the figures are adjusted to reflect consistent assumptions on scheme join rates.

Table 18: Comparison of scheme nominal costs across Policy Statement and updated CP

	Updated consultation (unadjusted) (Option 1)	Updated consultation (adjusted) (Option 1)	Policy Statement (Scheme 1 + 2)	Difference in nominal costs between unadjusted updated consultation and Policy Statement	Difference in nominal costs between adjusted updated consultation and Policy Statement
Nominal costs of scheme	£3.04bn	£2.54bn	£1.65bn	-£1.39bn	-£0.89bn

Detailed costs and benefits (quantified)

Counterfactual costs

- 192.** The above benefits/costs are relative to the counterfactual. Below we set out more detail of our estimates of monetised non-redress costs to firms in the counterfactual alone. While the counterfactual is one continuous period compared to our intervention between two distinct periods, we split costs by the 2 scheme periods (April 2007 – March 2014 and April 2014 – October 2024) for ease of comparison.
- 193.** In our central counterfactual scenario, we estimate non-redress costs to firms of around £1.7bn for Scheme 1 and £5.9bn for Scheme 2, totalling £7.6bn. Of this total estimate, around £3.8bn is associated with Financial Ombudsman case fees and £2.8bn associated with Financial Ombudsman scaling fees in NPV terms.

Table 19: NPV estimates of non-redress costs to firms in the counterfactual (central case)

Counterfactual (representing April 2007 – March 2014 agreements)	
Administrative costs	£249.7m
Financial Ombudsman fees (disagree)	£709.1m
Financial Ombudsman fees (out of time)	£94.8m
Financial Ombudsman scaling fees	£585.7m
Court costs	£17.5m
Total firm non-redress costs	£1,656.7m
Counterfactual (representing April 2014 – October 2024 agreements)	
Administrative costs	£585.2m
Financial Ombudsman fees (disagree)	£1,989.6m
Financial Ombudsman fees (out of time)	£1,038.4m
Financial Ombudsman scaling fees	£2,206.4m
Court costs	£44.6m
Total firm non-redress costs	£5,864.1m

Scheme (intervention) costs and benefits

- 194.** The table below summarises the estimated costs and benefits of the 2 schemes over the appraisal period.
- One-off costs represent total implementation costs incurred during the implementation period and are reflected in full at the start of the scheme appraisal period.
 - Ongoing costs correspond to recurring administrative and operational expenses, spread across years 1-2 of our appraisal to reflect the period over which scheme cases are processed.
 - One-off benefits are nil, as the schemes do not generate immediate upfront gains to consumers or firms.
 - Ongoing benefits capture the estimated non-redress cost savings, relative to the counterfactual, for firms delivered over the appraisal period covered in the CBA.
- 195.** In both schemes, the ongoing benefits substantially exceed the combined level of one-off and ongoing costs, with this effect particularly pronounced for Scheme 2. Overall total ongoing benefits of £7.1bn far outweigh the associated one-off and ongoing costs of approximately £0.6bn. This indicates a strong net positive impact of the scheme. We note that these figures represent net impacts relative to the counterfactual.

Table 20: Estimated costs and benefits across both schemes

	Scheme 1	Scheme 2	Total
One-off benefits	£0.0m	£0.0m	£0.0m
Ongoing benefits	£1,472.4m	£5,616.2m	£7,088.6m
One-off costs	£161.7m	£442.4m	£604.1m
Ongoing costs	£6.9m in year 1; £4.5m in year 2	£13.1m in year 1; £8.5m in year 2	

- 196.** While the magnitude of identified costs and benefits has altered, the nature/scope of the individual costs and benefits have not. For brevity we do not therefore repeat the description and discussion of individual costs and benefits for firms, consumers and other stakeholders as only their scale has changed. For a detailed discussion of the nature of benefits and costs, refer to sections 25 and 27 of CP25/27.
- 197.** Below we set out a breakdown of the different benefit and cost components estimated in Table 20 across affected parties for both schemes.

Table 21: Summary of costs and benefits – Scheme 1 (April 2007 – March 2014)

Group affected	Item description	Benefits (£)		Costs (£)	
		One-off	Ongoing (total)	One-off (implementation period)	Ongoing (total)
Firms	Case -handling administrative fees (direct)		£45.2m	£112.0m	
	Reduction in Financial Ombudsman referral fees (consumer dispute case assessment) (indirect)		£660.4m		
	Reduction in Financial Ombudsman referral fees (consumer dispute screening) (indirect)			£47.7m	
	Reduction in Financial Ombudsman referral fees (out of time) (indirect)		£102.4m		
	Reduction in Financial Ombudsman scaling fees (indirect)		£608.1m		
	Reduction in court costs (indirect)		£18.1m		

Group affected	Item description	Benefits (£)		Costs (£)	
		One-off	Ongoing (total)	One-off (implementation period)	Ongoing (total)
	Familiarisation and gap analysis (including legal costs) (direct)			£0.3m	
	Training and dissemination costs (direct)			£1.6m	
	Board and Executive Committee reviews (direct)			£0.2m	
Consumers	Less time dealing with cases (direct)		£38.1m		
FCA	Supervisory costs associated with CRS design, review and regulation (direct)				£6.9m in year 1; £4.5m in year 2
Financial Ombudsman	Fewer case referrals (indirect)		Unquantified		
Total		£0.0m	£1,472.4m	£161.7m	£6.9m in year 1; £4.5m in year 2

Table 22: Summary of costs and benefits – Scheme 2 (April 2014 – October 2024)

Group affected	Item description	Benefits (£)		Costs (£)	
		One-off	Ongoing	One-off	Ongoing
Firms	Case -handling administrative fees (direct)		£124.9m	£299.1m	
	Reduction in Financial Ombudsman referral fees (consumer dispute case assessment) (indirect)		£1,896.7m		
	Reduction in Financial Ombudsman referral fees (consumer dispute screening) (indirect)			£139.4m	

Group affected	Item description	Benefits (£)		Costs (£)	
		One-off	Ongoing	One-off	Ongoing
	Reduction in Financial Ombudsman referral fees (out of time) (indirect)		£1,122.3m		
	Reduction in Financial Ombudsman scaling fees (indirect)		£2,290.8m		
	Reduction in court costs (indirect)		£46.3m		
	Familiarisation and gap analysis (including legal costs) (direct)			£0.5m	
	Training and dissemination costs (direct)			£3.1m	
	Board and Executive Committee reviews (direct)			£0.3m	
Consumers	Less time dealing with cases (direct)		£135.3m		
FCA	Supervisory costs associated with CRS design, review and regulation (direct)				£13.1m in year 1; £8.5m in year 2
Financial Ombudsman	Fewer case referrals (indirect)		Unquantified		
Total		£0.0m	£5,616.2m	£442.4m	£13.1m in year 1; £8.5m in year 2

Updated costs to the FCA

- 198.** We expect costs to the FCA from the proposed scheme. These costs include supervisory costs associated with CRS design, review and regulation (direct). Other internal costs relate to handling contact volumes exceeding business as usual (BAU) capacity, such as setting up a helpline and chatbot, and using third party support. To note, costs associated with enforcement are considered BAU and not additional because of the scheme.
- 199.** We have provided our estimated budget for carrying out our proposed intervention over the next 2 financial years. Our provisional estimates are provided in the table below. As in CP25/27, we do not disaggregate these costs by activity and believe they will not be materially different between both schemes.

- 200.** As the FCA is funded by an industry levy, we have counted these costs as a direct cost to business and so they are included in our estimate of the EANDCB above (Table 17).

Table 23: Nominal costs of the scheme to the FCA

Financial year	Nominal costs to the FCA
26/27	£20.0m
27/28	£13.0m
Total	£33.0m

Unquantified costs and benefits to consumers

Redress payments

- 201.** Our proposed intervention is intended to make sure consumers receive fair and proportionate redress. Based on our analysis, we estimate that firms could owe consumers up to £7.5bn if every case owed redress were to result in a claim. We anticipate that not all consumers will register a claim or obtain redress, due to factors such as attrition during the scheme or if consumers choose to not to opt in or decide to opt -out of the scheme.
- 202.** However, the speed and simplicity of the proposed scheme should facilitate higher take-up and more timely payments, particularly benefiting consumers in more financially vulnerable circumstances, as discussed later in the *distributional impact section* of this CBA.

Reduced court costs

- 203.** The proposed scheme is expected to reduce the need for consumers to take disputes to court. By resolving cases through a fair and consistent process under the scheme, consumers avoid the direct financial costs of legal action, such as court fees and legal expenses, as well as the uncertainty involved in litigation.

Confidence in the redress system

- 204.** We expect the proposed scheme will give consumers confidence that their case will be assessed using a fair methodology. This should provide both consumers and firms with greater certainty and finality. As a result, consumers should also receive any redress quickly. This is especially important given current macroeconomic pressures on household finances, such as the high costs of borrowing and forecasts on slower growth in real disposable incomes. By ensuring cases are assessed fairly and in a timely manner, the scheme significantly reduces the likelihood that consumers perceive firms as providing unfair redress.

Exit fees for consumers who have signed up with PRs or engaged with courts

- 205.** Consumers who have already engaged with PRs or initiated court proceedings may face exit fees or administrative charges if they choose to resolve their dispute through the proposed scheme instead. These fees could include costs associated with closing a PR account, withdrawing a claim, or terminating ongoing legal action.

Unquantified costs and benefits to firms

Credit Reference Agencies (CRAs)

- 206.** Where data is missing from firms' records, firms may use CRA services to obtain historical data. Firms' own record retention policies will vary, such that we expect firms' requests to CRAs to vary between firms and based on the date of the agreement being assessed. We do not have firm-level data on the prevalence of CRA usage, nor on how it might differ between the counterfactual and the proposed intervention. Consequently, we have not estimated any associated costs to firms.

Reputational benefits

- 207.** By handling cases through a fair and consistent scheme, firms can enhance their reputation. Consumers who experience equitable resolution are more likely to trust the firm, which can strengthen customer relationships and improve perception of the firm. Although these benefits are difficult to quantify in monetary terms, they may translate into long-term advantages such as reduced case escalation, and a better public image both for individual firms and the motor finance industry as a whole.

Sensitivity analysis

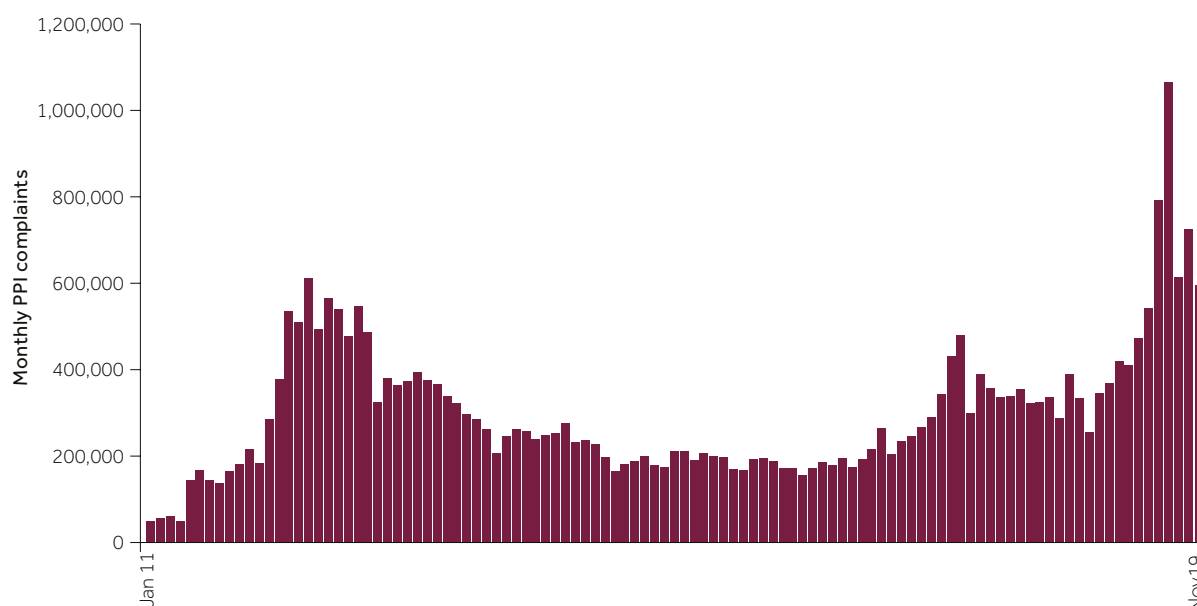
- 208.** Our sensitivity analysis is used to test how robust the results are to uncertainty in key assumptions or input values. By varying important parameters, it shows how much the overall outcome changes and identifies which assumptions have the greatest influence on the results.

Adapting our assumptions on the counterfactual complaints-handling period

- 209.** As set out in the *changes to our modelling assumptions and approach* chapter, the counterfactual assumes complaints would be handled by lenders across a 3-year time horizon. We relax this assumption and extend the counterfactual complaints-handling period to 9 years. This longer horizon reflects a more conservative scenario analogous to the prolonged complaints period observed for the PPI scheme where claims activity developed over an extended period. To reiterate, as stated above, we do not believe this is appropriate in this instance, but provide the illustrative modelling for completeness.

- 210.** We also relax assumptions regarding the application of scaling fees to agreements, drawing on evidence from the PPI experience, as illustrated in the graph below. This approach reflects the spike in referrals observed at the start and end of the scheme. To mirror this pattern, we apply scaling fees only to agreements corresponding to these periods.

Figure 8: Monthly PPI complaints from January 2011 to November 2019



- 211.** We estimate total firm costs (in nominal terms) of £6.0bn in the counterfactual scenario, representing a substantial reduction of approximately £2.0bn compared with the central estimate reported in Table 15. Similarly, the net present value (NPV) is estimated at £4.0bn, down from £6.0bn in our central scenario. The scheme remains net positive under this scenario, albeit with a reduced margin relative to our central scenario.

Table 24: Summary of estimated nominal monetised impacts of a 9-year counterfactual complaints-handling period

Monetised costs	Do-nothing counterfactual	Proposed intervention	Benefits (savings)
Total firm costs	£5,987.8m	£1,649.9m	£4,337.9m
Consumer time costs	£250.2m	£77.4m	£172.8m

Table 25: NPV calculations

	Scheme 1	Scheme 2	Total
PV benefits (excluding gains to consumer redress)	£891.8m	£3,630.2m	£4,522.0m
PV costs	£192.8m	£296.4m	£489.1m
NPV	£699.0m	£3,333.9m	£4,032.9m

- 212.** The reduction in estimated costs and NPV under this scenario reflects 2 key factors:
- Extending the complaints-handling period allows firms more time to resolve cases internally, resulting in fewer complaints escalating to the Financial Ombudsman and, consequently, fewer instances where case fees are incurred.
 - Scaling fees are applied to a smaller proportion of agreements, reflecting the observed pattern of referral spikes only at the start and end of the scheme, instead of all agreements.
- 213.** In addition to remaining net positive, we note that this scenario does not capture certain unquantified costs to consumers. A quicker resolution of complaints would reduce the stress and uncertainty experienced by consumers over a prolonged complaints-handling period, so a longer period imposes costs on consumers. This is an outcome that is not reflected in the monetary estimates but nonetheless an important consideration in assessing the overall impact of the final scheme and its desirability.

Adapting our assumptions on scheme join rates

- 214.** Estimating variation in uptake across Scheme 1 and 2 has required the use of new evidence and assumptions from the consultation. In doing so, our starting point has been our revised overall uptake rate. From this we have estimated a differential in uptake between the 2 schemes and therefore individual scheme uptake rates.
- 215.** This means that, for a given overall uptake rate, variation in relative uptake between Schemes 1 and 2 may impact individual scheme costs, but the overall costs do not significantly vary as a result of small to moderate variation in the individual Scheme 1 and 2 uptake rates.
- 216.** Nevertheless, here we consider sensitivity analysis, both qualitative and quantitative, given the assumptions required to estimate how consumer behaviour may vary depending on when their motor finance agreement was taken out.

Considering the impact of consumer understanding of a potential scheme

- 217.** In the *changes to our modelling assumptions* chapter, we estimated that uptake rates for Scheme 1 would be 10ppt lower than Scheme 2, taken from consumer survey data undertaken for the consultation. The relevant question was asked of participants who were aware of the possibility of people being owed compensation for motor finance agreements. We expect that participants would not have had a sophisticated understanding of the details of a possible scheme at the time of the survey, and therefore how it might affect their likelihood to join for agreements across different time periods.
- 218.** However, if some participants were responding as if the scheme were in place, then the difference we estimate from this survey may be a modest underestimation of a counterfactual scenario. If so, this suggests a true counterfactual differential between Scheme 1 and Scheme 2 join rates may be slightly higher than the 10ppt estimated.

Considering the interdependency of behaviours of consumers with agreements in Scheme 1 and 2

- 219.** This data also assumes that each consumer has to make a single engagement choice. However, in reality, many consumers may have multiple agreements which could be spread across Scheme 1 and Scheme 2. This means that consumers who were treated as Scheme 2 consumers from our survey data, may also have Scheme 1 agreements too.
- 220.** It is possible that consumers with both Scheme 2 and Scheme 1 arrangements would be more likely to engage with Scheme 1 agreements than consumers with only Scheme 1 agreements. First, those with multiple agreements, especially spread over long time horizons, may be more likely to engage a CMC/PR to manage all of their agreements. Second, if we assume consumers first engage with a Scheme 2 agreement (as barriers to engagement may be lower for this scheme as it is more recent), this may reduce the psychological costs associated with engaging with subsequent, older agreements, for example due to increased familiarity with the process.
- 221.** If consumers do not treat each agreement as a psychologically independent decision, the impact of this would mean our headline difference of 10ppt may be slightly overestimated.
- 222.** Given we acknowledge the potential for the above assumptions to result in both and under and over-estimation of true differences between Scheme 1 and 2 uptake rates, we have modelled lower and higher differences in uptake rates as a sensitivity analysis.
- 223.** For a lower difference we have halved our main estimated difference, from 10ppt to 5ppt. For our higher difference we have added an additional half to our main estimated difference, from 10ppt to 16ppt.
- 224.** If the overall counterfactual uptake rate remains unchanged (58%) these alternative assumptions would see variation in uptake rates across the 2 schemes.
- 225.** For Scheme 1, our central estimate of 50% could vary between 46-54%.
- 226.** For Scheme 2, our central estimate of 61% could vary between 59-62%.

Table 26: Sensitivity analysis on our counterfactual join rate assumptions

Counterfactual	Scheme 1			Scheme 2		
	Low	Central	High	Low	Central	High
Low sensitivity (-5ppt)	43.9%	53.9%	63.9%	49.1%	59.1%	69.1%
Main assumption (-10ppt)	40.1%	50.1%	60.1%	50.5%	60.5%	70.5%
High sensitivity (-16ppt)	36.4%	46.4%	56.4%	52.0%	62.0%	72.0%

Considering our assumptions on scheme length

- 227.** In order to estimate differences in uptake rates between the 2 schemes, we have had to make assumptions about different agreement lengths. This has allowed us to make inferences about relative scheme uptake rates in a small number of years in which motor finance agreement start dates could straddle the 2 schemes (i.e. around 2007, for whether it falls in scope of Scheme 1 at all, and around 2014 for whether it would fall under Scheme 1 or 2).
- 228.** Our headline estimate approximates that scheme length is either 2, 3, 4, or 5 years with equal probability. This is approximated from survey evidence which finds the average reported agreement length is roughly 3.3 years. A 25% probability of 2, 3, 4, or 5 would be roughly equivalent to this (3.5 years). However, we note this is a simplified assumption.
- 229.** The time periods in which the specific scheme is determined by a particular start date are earlier in the scheme's timelines, and it is possible that average agreement length has not stayed constant over time. Our Updated Diagnostic Report collected data, including agreement length, from over 32m motor finance agreements, split by Scheme 1 and 2. We therefore consider the impact of using data on agreement lengths from agreements in scope under Scheme 1 only instead.
- 230.** Estimating in a way that is comparable to our headline estimate calculation using this data requires some assumptions (i.e. assuming that an agreement length of 1-2 years equates to "2 years", 2-3 years equates to "3 years", and so on), which is likely to slightly overestimate longer agreements. This yields alternative proportions of: 2 years (9%); 3 years (31%); 4 years (33%); 5 years (27%).
- 231.** Nevertheless, estimating our uptake figures with this alternative data instead generates only a very small reduction to our estimated uptake rate differential, which rounds to the same 10ppt.

Considering our assumptions impact of intervention on differences in Scheme 1 and 2 uptake

- 232.** In the *changes to our modelling assumptions* chapter, we estimated that uptake rates for Scheme 1 would be 10ppt lower than Scheme 2, for any given overall uptake rate in our counterfactual. We assumed that, under our intervention, this difference fell by half, to 5ppt, as a consequence of the disproportionate impact our intervention would have in overcoming consumer barriers to engaging with older agreements.
- 233.** We have modelled the impact of alternative assumptions to our 'halved' assumption below:
- The introduction of our intervention would reduce the temporal difference in uptake rates across Scheme 1 and Scheme 2 by one-quarter relative to the counterfactual, from -10ppt to -8ppt.

- 234.** The introduction of our intervention would reduce the temporal difference in uptake rates across Scheme 1 and Scheme 2 by three-quarters relative to the counterfactual, from -10ppt to -3ppt.
- 235.** If the overall uptake rate remains unchanged (70% for opt-in eligible; 20% for opt-in ineligible) these alternative assumptions would see variation in uptake rates across the 2 schemes.
- 236.** For the opt-in eligible cohort:
- For Scheme 1, our 'central' estimate of 66% could vary between 64-68%.
 - For Scheme 2, our 'central' estimate of 71% could vary between 70-72%.
- 237.** For the opt-in ineligible cohort:
- For Scheme 1, our 'central' estimate of 16% could vary between 14-18%.
 - For Scheme 2, our 'central' estimate of 21% could vary between 20-22%.

Table 27: Sensitivity analysis on our scheme join rate assumptions

Scheme 1	Opt-In Eligible			Opt-In Ineligible		
	Low	Central	High	Low	Central	High
Low sensitivity (-3ppt)	55.7%	67.7%	93.1%	11.9%	17.8%	23.6%
Main assumption (-5ppt)	53.9%	65.9%	91.3%	10.1%	16.0%	21.8%
High sensitivity (-8ppt)	52.0%	64.0%	89.4%	8.2%	14.1%	19.9%

Scheme 2	Opt-In Eligible			Opt-In Ineligible		
	Low	Central	High	Low	Central	High
Low sensitivity (+3ppt)	58.3%	70.3%	95.7%	14.5%	20.4%	26.2%
Main assumption (+5ppt)	59.1%	71.1%	96.5%	15.3%	21.2%	27.0%
High sensitivity (+8ppt)	59.8%	71.8%	97.2%	16.0%	21.9%	27.7%

Upper and lower bound sensitivity checks

- 238.** For completeness, we have also carried out sensitivity analysis on several key assumptions based on low and high modelling inputs – as set out in the *summary of modelling assumptions* above.

Table 28: Summary of costs and benefits – Scheme 1 (April 2007 – March 2014), low – high scenarios

Group affected	Item description	Benefits (£)		Costs (£)	
		One-off	Ongoing	One-off	Ongoing
Firms	Case-handling administrative fees (direct)		£34.4m – £30.0m	£93.4m – £162.0m	
	Reduction in Financial Ombudsman referral fees (consumer dispute case assessment) (indirect)		£240.3m – £1,142.2m		
	Reduction in Financial Ombudsman referral fees (consumer dispute screening) (indirect)			£5.7m – £89.4m	
	Reduction in Financial Ombudsman referral fees (out of time) (indirect)		£20.9m – £253.1m		
	Reduction in Financial Ombudsman scaling fees (indirect)		£182.8m – £1,170.3m		
	Reduction in court costs (indirect)		£18.1m – £18.1m		
	Familiarisation and gap analysis (including legal costs) (direct)			£0.3m – £0.3m	
	Training and dissemination costs (direct)			£1.6m – £1.6m	
	Board and Executive Committee reviews (direct)			£0.2m – £0.2m	
Consumers	Less time dealing with cases (direct)		£21.4m – £140.6m		

Group affected	Item description	Benefits (£)		Costs (£)	
		One-off	Ongoing	One-off	Ongoing
FCA	Supervisory costs associated with CRS design, review and regulation (direct)				£6.9m in year 1; £4.5m in year 2
Financial Ombudsman	Fewer case referrals (indirect)		Unquantified		
Total		£0.0m	£517.9m – £2,754.4m	£101.2m – £253.5m	£6.9m in year 1; £4.5m in year 2

Table 29: Summary of costs and benefits – Scheme 2 (April 2014 – October 2024), low – high scenarios

Group affected	Item description	Benefits (£)		Costs (£)	
		One-off	Ongoing	One-off	Ongoing
Firms	Case-handling administrative fees (direct)		£46.2m – £140.0m	£246.3m – £438.8m	
	Reduction in Financial Ombudsman referral fees (consumer dispute case assessment) (indirect)		£749.6m – £2,933.1m		
	Reduction in Financial Ombudsman referral fees (consumer dispute screening) (indirect)			£14.3m – £263.8m	
	Reduction in Financial Ombudsman referral fees (out of time) (indirect)		£262.7m – £2,383.3m		
	Reduction in Financial Ombudsman scaling fees (indirect)		£708.6m – £4,173.6m		
	Reduction in court costs (indirect)		£46.3m – £46.3m		

Group affected	Item description	Benefits (£)		Costs (£)	
		One-off	Ongoing	One-off	Ongoing
	Familiarisation and gap analysis (including legal costs) (direct)			£0.5m – £0.5m	
	Training and dissemination costs (direct)			£3.1m – £3.1m	
	Board and Executive Committee reviews (direct)			£0.3m – £0.3m	
Consumers	Less time dealing with cases (direct)		£73.8m – £582.8m		
FCA	Supervisory costs associated with CRS design, review and regulation (direct)				£13.1m in year 1; £8.5m in year 2
Financial Ombudsman	Fewer case referrals (indirect)		Unquantified		
Total		£0.0m	£1,981.0m – £10,165.3m	£264.5m – £702.6m	£13.1m in year 1; £8.5m in year 2

- 239.** Our estimates of the NPV of our two options in the low, central and high scenarios are summarised in the table below.

Table 30: Net present value under sensitivity analysis

Scenario	PV Benefits (excluding gains to consumer redress)	PV Costs	NPV
Scheme 1			
Low case	£488.2m	£133.1m	£355.1m
Central case	£1,387.4m	£192.8m	£1,194.6m
High case	£2,595.3m	£283.8m	£2,311.5m
Scheme 2			
Low case	£1,866.6m	£296.4m	£1,570.3m
Central case	£5,286.6m	£471.8m	£4,814.8m
High case	£9,568.4m	£729.5m	£8,838.9m

- 240.** Below we expand our distributional and market impact analyses which have changed from the previous CBA and reflect our final policy intervention. These relate to our central scenario.

Distributional impacts on firms and consumers

Impact of consumer communications policy on firms

- 241.** Stakeholder feedback highlighted concerns that recorded delivery postage costs could be disproportionately high for some firms relative to their expected redress liabilities, particularly smaller firms or those with low breach rates. Under the revised Policy Statement, firms are no longer required to use recorded delivery and have flexibility to choose more cost-effective communication channels, including digital methods, with appropriate fraud and other safeguards. Certain communications, such as provisional redress calculations and communications with likely ineligible consumers, are also no longer mandatory.
- 242.** We did not capture postage costs in the CBA for CP25/27. As such, we do not present estimated cost savings associated with moving from a mandatory recorded delivery approach to more flexible means of communicating with consumers.
- 243.** Nonetheless, we note that this communication approach in the scheme reduces the administrative burden on firms. By allowing cheaper or digital communication channels and not requiring communications with ineligible consumers in most cases, the revised approach improves the distributional impact of the scheme, easing operational pressures and making participation more proportionate to firms' actual redress exposure.

Introduction of a de minimis commission threshold for firms

- 244.** As the scheme provides that agreements with a commission below the de minimis threshold are not relevant arrangements, firms are not required to assess cases where the level of commission is so low that it is not, in itself, capable of making the relationship would not give rise to unfairness.
- 245.** In the absence of a threshold, the scheme would capture agreements where the level of commission is too small to have plausibly affect the borrower's decision or broker behaviour even where disclosure was inadequate for the purposes of the schemes.
- 246.** This allows firms to prioritise cases where unfairness will have occurred and potential redress is more substantial, supporting the efficient delivery of redress across the wider population of affected consumers.

Zero APR exception

- 247.** As set out in the Policy Statement, we have amended the rules so that scheme cases will not involve a relevant arrangement where agreements have a zero APR, regardless of whether they include DCAs, ties, or high commissions. We consider that it is unlikely a court would find that a credit relationship was unfair, where the consumer took out a zero APR agreement, even where the commission arrangement or tie remained undisclosed. In practice a consumer taking out a zero APR agreement would have experienced no conceivable impact on their decision-making.
- 248.** We do not consider the same rationale above applies to low, but non-zero, APRs, where even small charges may have influenced consumer decision making.

High loan value exclusion

- 249.** As discussed in the relevant policy changes for the updated CBA, agreements with a loan value above the 99.5th percentile of loan values each year (rounded to nearest £1,000) are excepted from the scope of the scheme (with the exception of agreements used to purchase vehicles built or modified for accessibility purposes, which are included regardless of loan value). This reflects a policy judgment that very high-value lending sits outside the core population the scheme is designed to address. Including such cases would extend the scheme beyond its intended mass-market focus.
- 250.** For firms, this exclusion reduces potential redress liabilities and associated operational costs for high-value lending portfolios under the scheme. The distributional impact is uneven: firms with a significant proportion of lending above the threshold will see a material reduction in exposure under the scheme compared to one that included these agreements, whereas firms whose lending is concentrated below this threshold are largely unaffected.
- 251.** For consumers, the exclusion means that those with high-value agreements are not eligible for redress under the scheme, regardless of the commission structure. These consumers are, by definition, more likely to be higher-income or to have accessed larger finance arrangements, so the distributional effect is less likely to fall on financially vulnerable groups. However, we acknowledge that excluded high-value agreements can still be brought to the Financial Ombudsman and assessed under the standard fair and reasonable framework, potentially incurring full case fees. Therefore, the reduction in costs for firms is not entirely without offsetting obligations.

Subjective wellbeing impacts of scheme on vulnerable consumers

- 252.** As set out in the consultation, the scheme offers a more accessible route for consumers to secure redress. Evidence from the FCA's 2024 Financial Lives Survey (FLS) shows that consumers with characteristics of vulnerability are less aware than other consumers of their ability to seek redress directly from firms or the Financial Ombudsman, without using a claims management company. Awareness of the Financial Ombudsman itself is also lower among these groups.

- 253.** According to the FCA's FLS survey, around 12% of UK consumers have low financial capability and around 11% of consumers taking out motor finance products are financially vulnerable. Given these characteristics, these groups are typically less likely to engage with case processes, more likely to disengage from complex or prolonged redress routes, and more vulnerable to wellbeing detriment arising from uncertainty and unresolved disputes.
- 254.** Consultation feedback noted that our monetised benefits in the CBA focus largely on administrative efficiency (such as faster case resolution and lower costs). Respondents argued that this understates wider societal and consumer-welfare benefits, particularly for financially vulnerable consumers who face higher barriers to securing redress through normal case processes or litigation.
- 255.** We note that our behavioural research accompanying the Policy Statement indicates that, when presented with a standard letter encouraging them to opt in to the scheme, consumers with lower financial literacy or self-reported household income are generally less likely to opt in than those with higher financial literacy. This implies that the existence and awareness of the scheme alone may not ameliorate distributional impacts. In recognition of this, our statement is reinforcing the importance of firms considering how they tailor their communications to support customers with characteristics of vulnerability.
- 256.** In conclusion, without the scheme, vulnerable consumers could face greater unresolved detriment and reduced access to redress, harming their wellbeing. The scheme mitigates these risks, ensuring fairer outcomes and protecting the consumers most at risk of being disadvantaged by complex case processes.

Market impacts

- 257.** Akin to our approach in CP25/27, the CBA considers the market impacts of our proposed intervention against a non-intervention counterfactual scenario, where consumers would continue to complain directly to firms or apply to the courts to receive redress – a case-led approach.
- 258.** To examine the effect on future market integrity, we also assess the potential impacts on the market of the CRS relative to a situation with no redress liabilities. This is what we refer to as the market impacts of our intervention in absolute terms. A summary of our findings is provided below and presented in more detail in Technical Annex 2: Market Impacts.

Market impacts relative to the counterfactual

- 259.** As noted in our response to feedback received on the inclusion of redress liabilities in the CBA, there is significant uncertainty around the level of redress that would arise under the counterfactual, reflecting variability across firms and individual cases. Attempting to assign a monetary value would therefore require broad assumptions that may not accurately reflect a case-led approach. On this basis, we consider quantifying

historic redress liabilities to be disproportionate in the counterfactual and therefore inappropriate to include in the analysis.

- 260.** The scheme does not create the underlying liability; it provides a mechanism for identifying and remedying harm that has already occurred. For the purposes of assessing potential market impacts, it is reasonable to assume that redress costs under the counterfactual are likely to be similar as they are under the scheme.
- 261.** However, as set out above, we also assess that the cost to firms of dealing with cases without any scheme would be as much as £6.3bn higher.
- 262.** As in CP25/27, our qualitative assessment indicates that, under the counterfactual, the potential total costs, and therefore the potential market impacts arising from those, are likely to be higher relative to the market impacts under our intervention. Under the counterfactual, the impacts on access to motor finance and prices for consumers are likely to be significantly higher with uncertainty continuing for many more years. This lengthy uncertainty would also affect the perception of investors and capital providers for the motor finance market.
- 263.** The decision to implement two schemes, covering agreements originated during different periods, does not affect our assessment of the relative market impacts under our intervention in comparison to the total costs and market impacts under the counterfactual.
- 264.** Without intervention, individual firms would face uncertainty over what their final liability and costs would be, and the time it will take to resolve matters. This is likely to lead to greater market uncertainty with wider consequences, such as higher perceived risk of repayment to investors (on the debt side) and/or lower returns (on the equity side), resulting in a higher cost of capital.
- 265.** Higher costs to firms would have knock-on impacts on firm profit which could lead to some firms considering passing additional costs on to future consumers, restricting lending or, in the extreme, exiting the market.
- 266.** Under the counterfactual, there could also be a disproportionate impact on the sub-prime segment. This segment is characterised by mostly smaller specialised motor finance firms with lower loan values and higher complexity for brokers to arrange motor finance to meet customer needs. This means commissions are typically higher than in the prime or near-prime segments relative to loan size, although, we note that at least some sub-prime firms have never issued DCAs or had tied relationships. This could result in a higher number of cases without guidance on what constitutes an unfair relationship, particularly from CMCs and PRs, resulting in higher operational costs relative to an industry-wide CRS that sets out clear eligibility criteria.
- 267.** The counterfactual could exacerbate the potential for increased cost of capital for the sub-prime segment. This could lead some sub-prime firms to consider passing on higher costs to future consumers in the form of higher prices, restricting lending or exiting the market. This would have implications for access to motor finance, at least in the short term, for customers with often the fewest alternative options.

- 268.** Given that the cost of dealing with cases is likely to be higher without regulatory intervention, the potential negative impacts on access to motor finance and prices for consumers are likely to be significantly higher under the counterfactual. Further, this would impact those with fewest alternative options the most, with uncertainty continuing for many more years under the counterfactual.

Wider impacts and spillover effects to other markets

- 269.** The additional negative market impacts that could materialise without intervention could also extend beyond the motor finance market and contribute negatively to wider investment and growth.
- 270.** Changes in price or access to motor finance could impact the demand for overall vehicle sales. This is especially significant for the new vehicle segment, where 80% of new car purchases were through motor finance in 2024. Consumer research conducted by Yonder found that 65% of current motor finance holders for new vehicles said they would not have purchased a vehicle without access to motor finance.
- 271.** There could also be additional negative indirect impacts on other consumer credit markets or on business lending to the extent that uncertainty or any impacts on consumer trust spill over to those other markets. In some cases, these impacts could be direct, as many motor finance firms are active in other consumer credit markets or in business lending. Without intervention, firms could face larger or more uncertain redress liabilities and associated costs. These cost shocks, or increases in firms' cost of capital, could affect access to credit in other areas, at least in the short run. Any negative impacts on access to credit in other consumer credit or in business lending markets could then flow through into the real economy.
- 272.** This is supported by research we commissioned, undertaken by Interpath and PA Consulting, which involved interviews with investors in the motor finance sector. Multiple investors noted that a significant sector wide cost shock could lead to spillover impacts to the broader UK economy, with the potential for firms to slow lending into other credit markets in which they operate to be able to rebuild capital buffers. Without any redress scheme, costs to firms are anticipated to be higher, and we would, therefore, expect spillover impacts to be more severe.
- 273.** Finally, a lack of clarity for consumers could also negatively affect investment decisions in the wider market. Increased uncertainty may reduce confidence in the UK's regulatory framework and create ambiguity about how the regulator would respond to any future issues involving widespread liabilities.

Market impacts in absolute terms

- 274.** To assess the potential effect of the scheme on market integrity, we also consider market impacts under the scheme relative to a situation with no redress liabilities. This assessment is based on the total combined costs to firms of both Scheme 1 and 2, reflecting our expectation that firms' decision making is likely to be influenced by the total costs they expect to incur.

- 275.** Under the CRS, we estimate that total costs (redress and non-redress costs) amount to up to £9.1bn which informs our market impacts analysis. This includes estimated maximum redress liability costs from the scheme of £7.5bn (including interest), and the expected costs to firms of implementing the scheme ('non-redress costs'), of £1.6bn. The scheme redress liability estimate assumes that 72% and 76% of consumers under Scheme 1 and Scheme 2, with an agreement that has at least one feature we propose could give rise to an unfair relationship, seek and receive redress through the redress scheme.
- 276.** Our absolute market impacts assessment considers a range of modelling scenarios to reflect uncertainty over short and long-term responses to the CRS. It is important to note that these reflect modelling scenarios and illustrate the potential direction and scale of market impacts of the proposed CRS and are not forecasts or predictions.
- 277.** Overall, our assessment remains that the scheme is unlikely to lead to material or long-lasting impacts on the motor finance market. While respondents to CP25/27 raised concerns about the potential for more severe and persistent impacts, recent market developments including sustained demand, new lender entry, ongoing investor interest, and funding conditions, support our view that the sector remains resilient. These developments reflect conditions up to early 2026, and therefore, do not capture additional uncertainty arising from the recent conflict in the Middle East.

Firm behaviour

- 278.** Although the redress scheme applies to past agreements, aspects of its design may influence how firms and CMCs respond in practice. The following sections discuss several behavioural responses that could arise as firms and CMCs adapt to the scheme's framework.

CMC behaviour

- 279.** The introduction of a scheme cap may influence the level of engagement by CMCs. In principle, a cap that reduces the value of individual awards could make some lower value cases less commercially attractive to CMCs, particularly where their fee structures are tied to the value of redress received. All else being equal, this could modestly reduce the proportion of consumers using CMCs to pursue claims through the scheme. However, there is uncertainty around both the scale of this effect and how CMCs might respond in practice.
- 280.** Two factors are particularly unclear. First, we do not have robust evidence on the extent to which CMCs would decline to take on lower value cases under a capped model, and typical acceptance/rejection rates are not well documented. Second, if CMCs were to reject a greater proportion of cases, it is uncertain what affected consumers would do instead, in many instances consumers who actively prefer CMC representation may be unlikely to pursue claims directly themselves if refused by a CMC, suggesting a potential (albeit small) downward effect on overall scheme uptake.
- 281.** We think the caps may encourage CMCs to consider litigation routes to circumvent reduced scheme returns. However, court action typically involves higher costs

and greater uncertainty, making it unclear whether the potential additional returns would outweigh the reduced returns of capped redress. CMCs may also respond strategically to a capped framework, by reducing their fees to remain competitive and sustain volumes, limiting any reduction in overall uptake. Others may instead focus on higher-value agreements where capped returns remain commercially attractive, reducing engagement with lower-value cases. If CMCs increasingly prioritise higher-value claims, consumers with smaller potential awards may face reduced access to representation, particularly where they are less likely to pursue claims independently. However, there is significant uncertainty as to which response would prevail and the overall scale of any effect.

- 282.** Overall, while the caps may exert some downward pressure on CMC participation at the margin, particularly for very low value cases, the direction and magnitude of this effect are uncertain, especially as CMCs will not know the commission amount paid before complaining. We therefore treat this primarily as a behavioural consideration that may influence uptake patterns at the edges, rather than a quantifiable adjustment to the core assumptions of the CBA.

Capital and provisioning behaviour

- 283.** A capped redress scheme may influence firms' wider behavioural and financial responses. In practice, lower expected redress liabilities may lead firms to reduce provisioning and release capital buffers relative to an uncapped scheme. However, we do not think this is likely. We think this may in turn reduce the likelihood of firms breaching prudential thresholds, particularly those with more concentrated exposures or limited headroom, and thereby diminish the risk of disorderly firm exits or sudden credit withdrawal during the implementation period. These prudential effects sit alongside broader strategic behaviours that may arise as firms interpret the scheme's design and consider its longer-term implications for pricing, commission structures and risk appetite.
- 284.** Overall, a capped scheme may support short-term prudential resilience by reducing the risk of capital strain and disorderly market exits.

Strategic complaints and case handling behaviour

- 285.** A capped redress methodology may influence how firms manage cases operationally within the scheme. Even where firms act in good faith and comply fully with scheme requirements, we think it is reasonable to expect some strategic allocation of resources as firms respond to differing liability profiles across cases. In practice, firms may prioritise operational efficiency for cases where redress amounts are highly unlikely to approach the cap, streamlining processes to resolve these cases more quickly and at lower administrative cost.
- 286.** For cases closer to the cap threshold, firms may adopt different approaches. Higher-value or more complex cases may attract greater scrutiny to ensure that redress calculations are accurate and defensible. However, we think the presence of a cap may also encourage earlier settlement in some cases, where firms consider it operationally

simpler to offer redress close to the capped level rather than undertake more detailed case-by-case calculations.

- 287.** These behavioural responses by firms do not directly imply misconduct but represent plausible operational adjustments under the scheme design. They provide context for potential variation in administrative costs and processing times across the caseload, while firms would remain subject to scheme requirements and supervisory oversight.

Future pricing and commission structures

- 288.** Even though the scheme applies only to past agreements, it may influence firms' forward-looking assessment of regulatory risk and their appetite for exposure to similar practices in the future. Firms may also draw inferences from the scheme's design when considering their future pricing strategies and commission models, which could result in unintended consequences.
- 289.** For example, feedback on CP25/27 suggested that to mitigate regulatory risk on future agreements arising from the high commission threshold, firms may adjust agreement features by lengthening minimum terms or increasing minimum loan amounts, which could indirectly raise the total cost of credit. Sub-prime hire purchase loans which are typically shorter-term and lower value, were highlighted as the types of agreements which were most likely to change.
- 290.** Feedback also suggested that the high commission threshold and the absence of a de minimis threshold may undermine the commercial viability of product markets which offer lower value loans, where commission income tends to be fixed at low levels. If firms withdraw low value products or adjust agreement features to indirectly raise the total cost of credit, this could reduce access for customers seeking lower-value financing.
- 291.** Further, feedback suggested that firms may reduce commissions payments due to increased caution around acceptable commission levels.
- 292.** However, as set out elsewhere in the Policy Statement, the scheme is a mechanism to distribute redress, for non-compliance with our disclosure rules and the CCA, and does not intend to incentivise changes to pricing, product design, or commission structures.
- 293.** In addition, our proposals do not seek to establish benchmarks or imply what constitutes an 'unfair' level of commission, nor are we making any judgement about the appropriate remuneration for brokers. The 2 limb high commission threshold is solely intended to identify the point at which non-disclosure of the existence and amount of commission would give rise to unfairness.
- 294.** We have also decided to introduce a de minimis commission threshold, which reduces the number of agreements captured by the scheme with very low levels of commission that in our view are unlikely to give rise to unfairness. This helps to address concerns raised in feedback to CP25/27, including potential risks to the ongoing viability of certain products in the absence of such a threshold.
- 295.** We have used our judgement to set the threshold for a high commission arrangement at 39% of the total cost of credit and 10% of the amount financed. We consider that

the 2 limb design of the high commission threshold, combined with the de minimis threshold, mitigates the risk of agreements being inadvertently captured where commission appears high only because of the structure of the loan.

Secondary International Competitiveness and Growth Objective (SICGO)

- 296.** In line with our duty to consider our secondary objective of international competitiveness and growth, we have considered the extent to which the proposed scheme supports market certainty, confidence and the effective functioning of UK financial markets, while maintaining robust standards of consumer protection.
- 297.** The scheme is designed to enhance competitiveness by reducing legal and operational uncertainty for firms and investors. By replacing a fragmented, case-led environment with a clear, industry-wide mechanism for resolving historic commission-related harm, the scheme provides predictability over liabilities and reduces the risk of prolonged litigation. This supports an operating environment in which firms can plan, invest and continue supplying motor finance with greater confidence – a factor that may support international investors' assessments of UK market stability and, in turn, improve international competitiveness.
- 298.** A clear and consistent framework can strengthen confidence in financial markets. For example, the [National Audit Office](#) found that following the introduction of the PPI scheme, structured fines and redress mechanisms promoted more consistent practices across the industry. We would expect a similar framework here to provide clarity for market participants and signal a stable regulatory environment, which is conducive to long term investment and sustained provision of motor finance in the UK. By reinforcing trust and engagement in the UK's financial services market, the scheme may support medium to long term growth, consistent with the objectives of the SICGO.
- 299.** The consumer redress scheme should have a positive income effect for recipients, enabling them to increase savings and support consumption. For households facing liquidity constraints, the impact is likely to be particularly pronounced, providing greater financial flexibility and potentially reducing financial stress. By improving households' financial positions and reinforcing confidence in the market, the scheme may further support spending in the broader economy, including at a time of ongoing cost of living pressures, and engagement with financial products. However, as this is a one-off transfer between firms and consumers and it is uncertain what the counterfactual is, any growth impact is likely to be small and transitory.
- 300.** While we acknowledge that firms will undoubtedly incur costs in implementing the scheme, our CBA finds that these are materially lower than the expected costs under the counterfactual and are accompanied by greater certainty over the scale and timing of liabilities. Taken together, these effects support a competitive market that can continue to meet consumer demand for motor finance and contribute to wider economic activity.

- 301.** Motor finance data and information since the Supreme Court ruling in *Johnson* in August 2025 and publication of CP25/27 in October 2025, have indicated strong consumer demand for both new and used vehicles, along with generally robust consumer finance conditions and resilient investment signals including in terms of funding, share prices and auto ABS transactions.
- 302.** Recent data on vehicle and motor finance transactions indicate continued strong demand for both new and used vehicles (with SMMT reporting a 7.2% year-on-year increase in new car registrations in February 2026 and Autotrader indicating stable overall sales volumes for used cars at the start of 2026). Motor finance continues to play a key role in supporting both new and used vehicle sales, with the FLA reporting a record £41bn lent on motor finance in 2025, 6% up on 2024.
- 303.** Since the Supreme Court judgment, we have also observed signs of potential new entry for both new and used car lending, as well as actual entry from firms targeting niche, specialist areas of the market. For example, in Q4 2025, Marshmallow Credit Services entered the market, offering finance to newcomers to the UK and migrants, and Ayan Capital began providing Shariah-compliant finance.
- 304.** Market sentiment has also shown generally resilient investment signals. The auto ABS market has become active again, with five public UK auto ABS deals priced since September 2025 resulting in senior tranche credit spreads similar to (and sometimes lower than) those observed on transactions issued before the Court of Appeal's ruling in *Johnson*. In parallel, the share prices of affected UK listed lenders increased by around 2.1% to 29.7% in the two weeks post the Supreme Court ruling and generally continued to rise steadily until the recent conflict in the Middle East.
- 305.** These developments reflect conditions up to early 2026, and therefore, do not capture additional uncertainty arising from the recent conflict in the Middle East.

Monitoring and evaluation

- 306.** The monitoring and evaluation stage is an important part of the policy development cycle. It helps policymakers understand the impact of an intervention (including any unintended outcomes) and can be used as a feedback mechanism to improve this policy.
- 307.** As part of our supervisory approach, we have developed a set of key risk indicators (KRIs). We will use both these KRIs and our supervisory work to monitor and evaluate how the scheme is implemented. These indicators are intended to operate as early warning signals of operational weaknesses within the scheme, emerging consumer harm, or firm non-compliance, enabling us to target supervision where it is most needed and minimise unnecessary regulatory burden.
- 308.** The KRIs presented in Table 31 are grouped to align with the scheme stages, reflecting the operational flow from customer contact through to redress payment. We also include cross-cutting indicators. They are not exhaustive and our supervisory approach will naturally evolve as the scheme is implemented.

Table 31: Summary of proposed KRI by scheme stage (for both schemes)

Scheme stage	Key Risk Indicators (KRIs)
Pre-scheme checks & consumer contact	• % of customers contacted within regulatory time frame • Adherence and delivery against the firms' internal plan for identifying and contacting customers as well as FCA timeframe for the scheme. • Volume and sentiment of cases/regulatory concerns flagged via social media and other mechanisms
Liability assessment	• % of Financial Ombudsman decisions that do not align with the firm's original outcome • % of provisional redress determination where firms apply rebuttals to the scheme of unfairness or loss • Internal metrics indicating dissatisfaction, operational delays or risk exposure
Redress calculation	• % of redress cases involving non-standard calculation methods • % of final determinations referred to the Financial Ombudsman
Redress determination & payment	• % of redress payments made within 28 days of final determination • Adherence to SLAs (56 days to reassess additional evidence, 28 days to issue payment)
All scheme stages	• Significant variance in key data figures submitted • Frequency of firm requests to re-submit returns within a defined period • % of regulatory returns submitted on time versus late or not submitted • Ratio of actual operational non-redress costs to provisions allocated • Adequacy of staffing levels relative to workload and service expectations • Effectiveness and timeliness of case resolution

Pre-scheme checks & consumer contact

- 309.** Firms must submit scheme implementation plans to the FCA by week 6 of the implementation period, or 10 days before the firm intends to commence processing of agreements under the scheme, if this is earlier. Firms' policies and procedures and forecasts will be critical to understanding firms' readiness and approach to the scheme. The FCA will use these to prioritise firms for engagement during the implementation period.
- 310.** Early-stage KRIs focus on firms' ability to identify in-scope cases and contact consumers within regulatory timeframes. These metrics, such as the percentage of customers contacted on time, are critical because delays or low contact rates risk consumer detriment and undermine the scheme's effectiveness.
- 311.** We draw on a range of supervisory and analytical data sources to monitor these KRIs effectively. These include Flexi Collections (FC) returns, peer comparisons, and firms' original projected volumes and timelines, supported by FCA modelling and estimates where available.

Liability assessment

- 312.** KRIs at this stage monitor the quality and consistency of firms' decision-making. They include the percentage of Financial Ombudsman decisions that diverge from firms' original outcomes and the rate at which firms apply rebuttals. High levels of misalignment may indicate weak evidence gathering, inconsistent application of presumptions, or inadequate training. Unusual spikes in Financial Ombudsman referrals or rebuttals, particularly without clear justification, serve as strong indicators of systemic issues requiring supervisory intervention.
- 313.** To assess firms' liability decisions, we draw on a range of data sources. These include ad hoc data collection returns, Financial Ombudsman data on upheld versus not-upheld outcomes, and firms' own outcome explanations or decisioning templates, which together help us evaluate the consistency and quality of firms' assessments.

Redress calculation

- 314.** KRIs monitor whether firms correctly and consistently apply the scheme's prescribed redress methodology. Metrics include the percentage of cases using non-standard calculation methods and the proportion of determinations subsequently referred to the Financial Ombudsman. While the scheme requires standardisation, these KRIs will allow us to identify outliers where firms may be misapplying rules or where calculation types are associated with higher disputes. Early detection reduces the downstream cost of remediation and escalated cases.
- 315.** To monitor firms' redress calculations, we will draw on multiple data sources. Flexi Collection (FC) Returns provide core quantitative insight into firms' calculation processes and operational performance, supported by case data that highlights emerging issues or patterns in consumer outcomes. We will also use Financial Ombudsman data to assess trends in redress-related disputes, and the consistency of firms' approaches.

Redress determination & payment

- 316.** This set of KRIs focuses on firms' operational execution: the percentage of payments made within 28 days of final determination, adherence to Service Level Agreements (SLAs), and evidence of delays in processing redress. These metrics directly support the policy aim of delivering timely redress, while supervisory triggers (eg, repeated late payments or lack of escalation processes) help ensure firms actively manage service levels.
- 317.** To monitor firms' performance in redress determination and payment, we will, again, draw on Flexi Collection (FC) Returns which provide insight into firms' operational progress and adherence to payment timelines, complemented by Prudential Regulatory data, which we use to identify any emerging cashflow concerns.

Cross-cutting KRIs across all stages

- 318.** A number of indicators apply across the scheme's lifecycle, including month-on-month variance in data submissions, frequency of resubmissions, timeliness of returns, and alignment between forecasted and actual operational metrics. These KRIs enable the FCA to identify data quality concerns or deteriorating performance early, reducing regulatory uncertainty and enabling more efficient resource prioritisation.
- 319.** To monitor cross-cutting KRIs, we will draw on flexi collection returns to assess firms' operational performance and data quality, supported by Regulatory Returns data. Case data and Financial Ombudsman information provide further visibility of developing issues or inconsistencies across firms' handling of cases. Together, these sources will enable us to detect wider patterns, assess the reliability of firms' submissions, and identify concerns requiring supervisory attention.

Response to consolidated CBA Panel feedback on this CBA

- 320.** We have consulted the independent CBA Panel in the preparation of this CBA in line with the requirements of s138IA(2)(a) FSMA. A summary of the main group of recommendations provided by the CBA Panel and the measures we took in response to Panel advice is provided in the table below.
- 321.** In addition, we have undertaken further changes based on wider feedback from the CBA Panel on specific points of the CBA. The CBA Panel publishes a summary of their feedback on their website, which can be accessed [here](#).

Table 32: Summary of main recommendations from the CBA Panel and our response

CBA Panel main recommendations	Our response
Clarify rationale for the exclusion of redress liabilities from analysis As was the case in CP25/27, this CBA focuses solely on the difference between non-redress costs between the baseline and the counterfactual in analysing the impact of the proposed Consumer Redress Scheme (CRS) and does 'not formally consider redress liabilities under the scheme as a benefit to consumers or a cost to firms'. Given the importance of this decision, the CBA should ensure that its explanation of why it has been taken is coherent and explain clearly how it is consistent with scheme design choices and the FCA's Statement of Policy (SoP) on CBA.	In line with the Panel's feedback, our response considers two distinct components: the costs incurred by firms in providing redress and the benefits realised by consumers as a result. We have provided additional discussion in the 'consultation feedback on the cost benefit analysis and our response' chapter. We maintain the position set out in the CBA regarding costs incurred by firms. Redress liabilities arise from historic non-compliance by firms and relate to obligations they failed to meet prior to the scheme, rather than costs arising directly through the introduction of the rules. While we acknowledge that the potential variation in redress payments under the scheme (relative to the counterfactual) does represent an impact to consumers, accurately quantifying this under the counterfactual is challenging. This is due to the uncertainty in how firms and individual court cases would be treated in the absence of an industrywide scheme. Our attempts to estimate a monetary value would require applying blanket assumptions across firms and cases, which would not accurately reflect a complaints-led approach where outcomes are likely to vary significantly at the case level. Under s138I(7) and s138I(8) of FSMA, it is established that we must provide an analysis of the expected costs and benefits of our rules if made, and where a quantified estimate is not feasible to provide a statement of explanation as to why this is the case. Furthermore, in our SoP on CBA we explain that, where uncertainty restricts our ability to provide a robust quantified estimate, we shall seek to provide a qualitative analysis of the impact in question. In our CBA we have, in lieu of a formal quantification of the level of redress paid to consumers, sought to provide a qualitative discussion of the benefit to consumers from our intervention. Furthermore, we have included in the consultation feedback chapter an explanation of the factors restricting our ability to provide a quantified estimate as part of our assessment.

CBA Panel main recommendations	Our response
Strengthen specification of counterfactual The CBA gives a much clearer account of the counterfactual than was done in CP25/27, but its specification remains unrealistic. The implied volume of cases referred to the Financial Ombudsman, and the courts appear unlikely to be deliverable in practice. For example, the complaints-handling period assumed may still be too short given previous large-scale remediation exercises; and the scale of administrative costs implied by the modelling makes it plausible that firms might coordinate a joint redress process themselves rather than continuing to field claims independently. A more realistic specification would improve the credibility of the CBA and provide stronger support for the proposed intervention.	We recognise the concern that the counterfactual could imply complaint volumes being referred to the Financial Ombudsman at a scale that may be difficult to deliver in practice. In response to this feedback, we have provided additional discussion in the 'counterfactual' chapter. Our specification intentionally abstracts from significant operational responses by the Financial Ombudsman, such as wholesale changes to case-handling processes or significantly higher case fees that might incentivise firms to proactively manage complaints. In practice, material changes of this nature would be subject to separate consultation processes. In the absence of a specific proposal, we do not consider it appropriate to speculate on the form or scale of such changes within this CBA. As a result, we note that our estimates of the counterfactual may be conservative. However, our approach avoids relying on speculative assumptions that could inflate counterfactual costs and therefore overstate the benefits of the scheme. We also acknowledge the Panel's feedback that, in principle, firms could seek to coordinate an industry-led redress process in the absence of intervention. However, historical experience with large-scale remediation activities in the UK, such as PPI and BSPS, provides no evidence that firms will voluntarily organise a coordinated industry-wide redress process. On this basis, we do not consider it appropriate to embed assumptions about an industry-led process within the central counterfactual and instead model a case-led approach, reflecting the most likely outcome based on prior observations. Consistent with Paragraph 7.5 of our Statement of Policy, we undertake sensitivity analysis in which the complaints-handling period for firms in the counterfactual is varied. Our approach illustrates that, even under conditions that reduce pressure on the Financial Ombudsman, the scheme continues to provide net benefits to both firms and consumers.

CBA Panel main recommendations	Our response
Provide clearer analysis of new scheme design features The CBA provides only very limited analysis of new scheme design features such as the Total Cost of Credit (TCC) cap, the de minimis threshold, and the high loan value exemption. It would be useful to explain in each case: i. on what grounds these features have been included (ie what trade-offs they are intended to address) ii. why the particular quantitative thresholds have been chosen iii. what their expected market, incentive, and distributional effects are	We note that points (i) and (ii) regarding the rationale for including these features and the choice of quantitative thresholds respectively are discussed in the Policy Statement, to which this CBA is supplementary. To avoid repetition, we do not repeat these discussions in detail here. Further information on each scheme design feature, including references to the relevant sections of the Policy Statement, is provided in Table 6 to guide readers seeking more information. Regarding point (iii), we have added further narrative in the CBA to address the distributional impacts of the scheme features. In particular, we note that: 1. Scheme design features such as de minimis and zero APR are introduced to ensure that firms are not required to further assess cases where the level of commission is below a threshold or where the agreement has a zero APR and therefore the failure to adequately disclose the commission would not give rise to unfairness. 2. The high-loan value exclusion also supports the targeting of the scheme by focusing remediation on cases more likely to fall within the core population that the scheme is intended to address. 3. Our revised communications approach supports proportionality on the non-redress side by removing the requirement for firms to contact consumers via recorded delivery and enabling firms to limit communications to cohorts more likely to be eligible under the scheme.

Annex 2

KC opinion

SECTION 404 SCHEME FOR MOTOR FINANCE

FURTHER OPINION March 2026

1. I have been asked to provide a Further Opinion to the Financial Conduct Authority (“FCA”) on proposals for two redress schemes under section 404 of the Financial Services and Markets Act 2000 (“FSMA”) in relation to the adequacy of disclosure of certain motor finance arrangements (“the Proposed Schemes”). I considered the Proposed Scheme in the form it was originally proposed in my Opinion dated 6 October 2025, which was published as Annex 5 to the FCA's Consultation Paper CP25/27 (“the Main Opinion”). This Further Opinion should be read together with the Main Opinion.
2. After the consultation period closed in December 2025, I was provided by the FCA with a selection of responses to the consultation, which took issue with aspects of the Proposed Scheme. I have more recently seen in draft the Policy Statement prepared by the FCA which addresses the consultation responses, and explains the approach which the FCA has taken. I have also reviewed the revised Rules in an advanced draft.
3. This Further Opinion, like the Main Opinion, is provided in accordance with CONRED 1.3.12G, which states that the FCA will seek the Opinion of leading counsel on the issue of whether the failure identified in a proposed scheme would be recognised as a failure by a court or tribunal. This Further Opinion addresses that question.
4. The FCA has decided to introduce two schemes, one covering the period 6 April 2007 – 31 March 2014 (the “Earlier Scheme”), and one covering 1 April 2014 – 1 November 2024 (the “Later Scheme”, collectively “the two Schemes” and the “Proposed Schemes”). This is because some respondents questioned whether the FCA had the power to apply the Proposed Schemes to agreements entered into before 1 April 2014 (the date when consumer credit regulation transferred to the FCA from the Office of Fair Trading).

5. The two Schemes differ in terms of their implementation period¹, the de minimis commission threshold², and the percentage APR reduction used to calculate one component of what is termed the hybrid remedy.³ However, for the purposes of the issue addressed in this Further Opinion, the two Schemes can be addressed together, since the failures which they seek to address are the same. Accordingly, this Further Opinion applies, for the purposes of CONRED 1.3.12G, to both of the Proposed Schemes.
6. It is apparent from the draft Policy Statement that very detailed and careful consideration has been given by the FCA⁴ to points raised in the consultation responses concerning whether the conditions for the Proposed Schemes continue to be met. I also note that a number of the responses I have seen accepted that the conditions for the introduction of a consumer redress scheme under s. 404 FSMA are met, albeit they take issue with some aspects and detail of the Proposed Scheme.
7. The Proposed Schemes, as refined following consultation responses, now cover inadequate disclosure of three features of motor finance agreements which the FCA considers are strongly associated with an unfair relationship under s.140A of the Consumer Credit Act 1974 (“the Relevant Arrangements”). They are:
 - (1) Discretionary Commission Arrangements (“DCAs”);
 - (2) High Commission payments, which are defined as 39% of the total cost of credit and 10% of the loan value;
 - (3) Contractual ties that give a lender exclusivity or a right of first refusal.
8. The Relevant Arrangements are in some respects more narrowly defined than was proposed in the Consultation Paper CP25/27 (cf. §26 of the Main Opinion). Generally, where a Relevant Arrangement is present, unfairness and loss will be presumed, but these presumptions may be rebutted in certain circumstances. In particular, where the Relevant Arrangement was a tie but it was not operated in practice, or no better deal was available to the consumer from that broker at that time.

¹ 5 months for the Earlier Scheme; 3 months for the Later Scheme.

² £120 for the Earlier Scheme; £150 for the Later Scheme.

³ -21% for the Earlier Scheme; -17% for the Later Scheme.

⁴ For the avoidance of doubt, the provision and publication of this Opinion does not constitute the waiver of privilege that attaches to any related legal advice that the FCA may have received.

9. Agreements where no commission was payable are outside the scope of the Proposed Schemes. Agreements for extremely high value loans⁵ are also generally excluded from the Proposed Schemes.
10. There will be some exceptions to Relevant Arrangements. In particular, cases will not be a Relevant Arrangement, and hence will be considered fair, if:
 - (1) The commission was £120 or less for agreements beginning before 1 April 2014, and £150 or less from that date. Commission amounts below these *de minimis* levels are considered unlikely to have influenced the consumer's decision or broker's behaviour;
 - (2) The borrower was not charged interest i.e. the APR was zero;
 - (3) In the case of a tie, where the lender can prove there were visible links between them and the manufacturer and/or dealer (so-called captive lenders).
11. I have scrutinised the approach taken, and note that some changes have been made as a result of consultation responses and which seek to tailor the Proposed Schemes better to the failures which occurred. I consider these to be within the scope of the FCA's regulatory judgement. I also note the approach taken to limitation, and in particular the fact that guidance in the draft Rules indicates that where the unfair relationship claim relates solely to a High Commission, and where there was clear and prominent disclosure of the fact or possibility of commission being payable, it is likely that the claimant could, with reasonable diligence, have discovered the relevant facts.
12. Overall, I remain of the view that the failures which would be addressed by the Proposed Schemes are those that a court or tribunal would find to constitute a failure to comply with a requirement.
13. In conclusion, and having regard in particular to the evidence of the volume of complaints, the definition of Relevant Arrangements, and the terms of s.140A of the Consumer Credit Act 1974, in my view the failures addressed in the Proposed Schemes

⁵ Higher than 99.5% of other loans that year. Agreements used to purchase vehicles built or modified for accessibility purposes remain within the scope of the Proposed Schemes, regardless of loan value.

are ones which a court or tribunal would find to constitute a failure to comply with a requirement.

JEMIMA STRATFORD KC

Brick Court Chambers

25 March 2026

Annex 3

Compatibility statement

Compliance with legal requirements

1. This Annex records the FCA's compliance with a number of legal requirements applicable to the redress scheme rules ("the rules") described in this policy statement, including an explanation of the FCA's reasons for concluding that the scheme rules described in this policy statement are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).
2. When making any rules, the FCA is required by section 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, and its general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA. The FCA must also consider whether rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This Annex also sets out the FCA's view of how the rules are compatible with the duty on the FCA to discharge its general functions (which include rulemaking) in a way which:
 - promotes effective competition in the interests of consumers (section 1B(4)), which applies so far as promoting competition is compatible with advancing the FCA's consumer protection and/or market integrity objectives
 - advances the secondary international competitiveness and growth objective (section 1B(4A))
4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under section 1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.
5. This Annex also includes our assessment of the equality and diversity implications of the rules.
6. Under the Legislative and Regulatory Reform Act 2006 (LRRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRRA.

The FCA's objectives and regulatory principles

7. The rules described in this policy statement are intended to advance our strategic objective of ensuring the relevant markets function well. The rules also further our consumer protection and market integrity operational objectives, and our secondary objective to advance the international competitiveness and growth of the UK economy.

Strategic objective

8. We consider the rules are compatible with the FCA's strategic objective of ensuring that the relevant markets function well by ensuring complaints are resolved consistently, quickly, and fairly, while avoiding widespread or disorderly firm failures and helping to maintain a functioning and competitive motor finance market in the long term.

Consumer protection objective

9. We consider the rules help advance our objective to secure an appropriate degree of protection for consumers. In considering this, we are required to have regard to the matters listed in sections 1C(2)(a)-(h) FSMA. Widespread and regular failure by firms to comply with the law and our rules have resulted in many consumers having lost out as a result of firms' failure to adequately disclose commission arrangements and contractual ties. As we set out in Chapter 2, it appears to us consumers have suffered (or may suffer) loss or damage in respect of which, if a consumer brought legal proceedings, a court would grant a remedy or relief, through the loss of the opportunity to negotiate lower borrowing costs or seek alternatives as a result of firms' inadequate disclosure. By providing clear rules for firms to follow, we aim to ensure consumers who have lost out receive appropriate compensation in an orderly, consistent, and efficient way. It is intended to be simpler for consumers than bringing an individual complaint, meaning more consumers, particularly vulnerable consumers, receive compensation. It is also intended to be comprehensive, so consumers do not need to go through the courts to secure compensation they are owed. We set out why we think a redress scheme is desirable in more detail in Chapter 2.
10. We recognise that consumers seeking to complain about the inadequate disclosure of commission arrangements, or of other arrangements incentivising introductions to a particular lender, within the relevant period, that are not DCAs, high commission or contractual ties would have to take legal action through the courts if they wanted the individual circumstances of their case to be considered outside of the scheme. We cover this point more fully in Chapter 5 where we conclude that we have not received evidence of other problematic practices through responses to our consultation that has persuaded us to change our approach. It, therefore, remains our view that the scheme will prevent the redress system from being overwhelmed by cases lacking the features most strongly associated with findings of an unfair relationship and as such this approach is intended to provide net benefits to both consumers and firms.

Integrity objective

- 11.** We also consider the rules advance our objective to protect and enhance the integrity of the UK financial system. In considering this, we are required to have regard to the matters listed in sections 1D(2)(a)-(e) FSMA. The rules help ensure that a very large number of disputes can be resolved quickly and proportionately, without the significant costs and risks involved in large numbers of court cases and/or complaints to the Financial Ombudsman. This in turn minimises the risk of disorderly or widespread firm failures, which could affect wider market integrity. By giving firms and the wider capital markets as much certainty as possible about the range of liabilities, the rules also aim to enable them to plan and invest for the future. As we set out in Chapter 1, we are encouraged that since we announced we would consult on a redress scheme, there has been a generally positive response in equity markets. We set out our analysis of the market impacts of the rules in more detail in [Technical Annex 2](#).

Secondary objective

- 12.** We also consider our rules are compatible with our secondary objective to advance the international competitiveness and growth of the UK economy. As set out above, the rules aim to support the integrity of the UK financial system, give firms and investors the confidence they need to make decisions for the future, and ensure the motor finance market continues to work well for future consumers. By supporting the long-term health of the motor finance sector, our rules will also indirectly support the UK's motor industry given the large proportion of purchases reliant on finance. In the absence of our intervention, the wider credit market could also be impacted. Lenders with exposure to motor finance may make business prioritisation decisions which impact cost and availability of finance in other markets.
- 13.** In preparing the rules set out in this policy statement, the FCA has also had regard to the regulatory principles set out in section 3B FSMA. We set out how we have considered these below.

The need to use our resources in the most efficient and economic way

- 14.** The rules and guidance set out how firms must determine whether customers have lost out due to specified firm failings, and if they have, how they must calculate appropriate compensation. We set out in Chapter 13 how we will supervise firms' compliance with the rules.
- 15.** We consider this to be the most efficient use of resource to deliver an orderly outcome, and we set out our estimated budget for carrying out our intervention in our updated CBA at Annex 1. As set out in Chapter 13, we will be gathering data to help us monitor firms' progress and compliance with the rules, which will reduce resource burden by directing supervisory resource where it is most needed.

The principle that a burden or restriction should be proportionate to the benefits

- 16.** We consider that the burdens imposed on firms by the rules are proportionate to the benefits that will result from it. Our rules aim to ensure consumers who have lost out receive compensation in an orderly, consistent, and efficient way while maintaining a well-functioning motor finance market for the millions of people that rely on it. As part of this, we have engaged widely with stakeholders on the potential impacts on firms and wider market integrity and considered the pre-consultation feedback we have received as we have finalised our approach. The rules are intended to be proportionate for firms themselves, and ensure the market continues to work well for future customers, who could indirectly bear the brunt of costs passed on to them. The analysis of potential benefits and costs of the rules is set out in our updated CBA (Annex 2).

The need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target) and section 5 of the Environment Act 2021 (environmental targets)

- 17.** We have considered our duty under sections 1B(5) and 3B(c) FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under section 5 of the Environment Act 2021. Overall, balancing all other factors, including crucially the aim of these rules and the outcomes we want to achieve, we do not consider that there is any contribution, or impediment, the rules can make to these targets.

The general principle that consumers should take responsibility for their decisions

- 18.** As we set out in Chapter 2, we consider that when consumers in motor finance transactions are provided with the necessary information about commission arrangements and contractual ties, consumers can make informed choices about the agreements they are entering into, and brokers are incentivised to act in ways that are more aligned with consumers' interests. Without adequate disclosure, consumers are less able to make informed decisions. The rules aim to ensure consumers who lost out as a result of firms' failures to adequately disclose information about commission arrangements and contractual ties are fairly compensated.

The responsibilities of senior management

- 19.** As set out in Chapter 13, we will require lenders to appoint a suitable Senior Manager (under the Senior Managers and Certification Regime) to have responsibility for oversight of the overall delivery of the scheme for their firm and compliance with its rules.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

- 20. We have had regard to this principle and do not believe that our rules undermine it.
- 21. We have decided that, where in existence and solvent, lenders will be responsible for delivering the scheme, rather than brokers. This will be simpler and deliver more timely and comprehensive redress, given there are many more brokers than lenders and some brokers are no longer operating. Where a lender no longer exists or is insolvent, and the debt was purchased by another firm, the purchaser will be responsible for delivering the scheme.
- 22. We recognise, however, that while the rules apply to lenders, other regulated firms will play a key role in the scheme's successful operation and we have reflected this in the rules. As set out in Chapter 6, for example, we recognise lenders may have to request documentation and information from brokers and have made rules requiring brokers to comply with such requests.
- 23. The rules also recognise that brokers played a part in some of the failings and that lenders may wish to seek contributions from brokers.
- 24. We have also considered how complaints against brokers about breaches of our CONC rules on commission disclosure should be handled, and set out in Chapter 6 that they should be treated as falling within the subject matter of the scheme and remitted to the lender to be dealt with under the rules.

The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information

- 25. We set out in Chapter 13 our decision to publish limited anonymised and aggregated lender-specific data demonstrating firm progress under the scheme. This is intended to promote transparency and accountability and help build consumer confidence in our scheme.
- 26. We have considered the concerns raised regarding interpretation, comparability and potential market impacts of this data. The information published will therefore be factual, and drawn from reporting that firms are already required to submit under the scheme. It will be presented with appropriate context to mitigate the risk of simplistic comparisons or distortions arising from inherent differences in firm size, portfolio composition, or business models.

The principle that we should exercise our functions as transparently as possible

- 27. We engaged extensively with consumer groups, trade bodies, firms and their legal representatives before and during our consultation. We have taken their views into

account when designing the redress scheme, and will continue to engage with a wide range of stakeholders throughout the implementation period.

- 28. We have set out our thinking and the evidence supporting it throughout this policy statement and the package of supporting materials published alongside.
- 29. As set out above and in Chapter 13, we have also decided to publish data demonstrating firms' progress in delivering their obligations under the scheme.

Section 1B(5)(b) FSMA

- 30. In formulating the rules, the FCA has had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by section 1B(5)(b) FSMA). We consider that this principle is not relevant to these rules but will continue to keep this under review.

Further specified matters to which the FCA must have regard

Section 138EA and section 143G FSMA

- 31. We have also considered our obligations under section 138EA FSMA to have regard to matters specified in regulations made by the Treasury that are relevant to the making of the rules in question. We do not believe there are any specified matters relevant to the making of our rules.
- 32. We have similarly considered our 'have regard' obligations under section 143G FSMA. These do not apply as we are not making rules under Part 9C FSMA, which relates to the prudential regulation of FCA investment firms.

HM Treasury's letter of recommendations for the FCA

- 33. We have also had regard to the recommendations made by the Treasury in the November 2024 remit letter. While developing our rules, we have, in particular, had regard to the government's policy towards the financial services sector, where the government's top priority is to promote its growth and international competitiveness.
- 34. We set out how our rules are compatible with the advancement of the international competitiveness and growth of the UK economy in paragraph 12 above.

Expected effect on mutual societies

- 35. The FCA does not expect the rules in this paper to have a significantly different impact on mutual societies.

Compatibility with the duty to promote effective competition in the interests of consumers

- 36.** In preparing the rules set out in this policy statement, we have had regard to the FCA's duty, so far as is compatible with acting in a way which advances the consumer protection objective or the integrity objective, to discharge its general functions in a way which promotes effective competition in the interests of consumers. While primarily intended to advance our consumer protection and market integrity objectives, we also consider the rules to be compatible with our competition duty. While the rules are focused on addressing past failures by firms, we believe they will help minimise the risk of a reduction in competition that could have negative impacts on consumers. As we set out above, and in our CBA, without a redress scheme firms would have to settle a very large number of claims by dealing with individual complaints, referrals to the Financial Ombudsman, and court cases. If firms restricted their lending or withdrew from the market (in extreme cases, because of firm failure) in the face of these costs, consumers could be left with a reduced choice in lenders. This could incentivise remaining lenders to increase prices; with fewer competitors customers could switch to in response to price rises.

Equality and diversity

- 37.** The FCA is required under the Equality Act 2010 in exercising its functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity.
- 38.** It remains our view that, overall, the rules are likely to have a positive impact on consumers with protected characteristics by mitigating existing disadvantages. This includes simplifying access to redress and strengthening requirements for firms to consider relevant characteristics when assessing claims, including where individual circumstances may have shaped the consumer's original borrowing decision.
- 39.** We recognise that some consumers may face challenges engaging with all stages of the scheme, including those with disabilities, limited digital access, lower financial confidence, or poor health. We have therefore introduced mitigations aimed at reducing these barriers, as explained in this policy statement and summarised below.
- 40.** To support consumers to engage effectively with the scheme, we are strengthening firms' obligations to identify all in-scope customers proactively and to provide clear, accessible and tailored communications across multiple channels.
- 41.** Firms must tailor communications to reflect customers' known characteristics and information needs, provide reminders where action is required, and offer additional support to consumers with vulnerability indicators, low financial confidence, or limited digital access.
- 42.** We are also enhancing protections against fraud by requiring direct, verified contact with eligible consumers and clearer scam-prevention messaging, which is particularly important for consumers who may be at higher risk of financial exploitation.

- 43.** We consider these steps proportionate and effective in ensuring good outcomes. Together, they are designed to reduce awareness gaps, remove barriers to engagement, and ensure that consumers – particularly those with protected characteristics, vulnerabilities, or complex circumstances – can access redress in a consistent, timely and orderly way. The exceptional circumstances exemption where consumers miss scheme deadlines (for example, serious ill-health or bereavement) and our decision that agreements used to purchase accessible vehicles should be within the scope of the scheme regardless of loan value are an additional safeguard to prevent consumers from being unfairly excluded.
- 44.** We are satisfied that the Public Sector Equality Duty under the Equality Act 2010 has been appropriately considered and applied throughout the development of the scheme, including the need to eliminate discrimination, advance equality of opportunity, and foster good relations between persons who share protected characteristics and those who do not.
- 45.** We will continue to review the equality impacts of the scheme as they are implemented and will make adjustments if required to support fair and consistent outcomes for all consumers, including where emerging data highlights differential impacts on consumers with protected characteristics.
- 46.** We will monitor firms' implementation of these requirements through targeted supervision, thematic reviews and analysis of scheme data. Where firms fail to meet expectations – including on accessibility, customer support, identification of eligible consumers or reasonable adjustments – we will take appropriate regulatory action.

Legislative and Regulatory Reform Act 2006 (LRR)

- 47.** We have had regard to the principles in the LRR for the parts of the scheme that consist of general policies, principles or guidance. We consider that these parts of the proposals are compliant with the five LRR principles:
- **Transparent:** as set out above, we have shared our decisions in our policy statement and the package of supporting documents, and have engaged with a wide range of stakeholders as we have developed our approach.
 - **Accountable:** we are acting within our statutory powers, rules and processes, and sought expert advice on key elements of our work, including a KC opinion on our final approach and advice from an independent statistician on our review of the motor finance market. We carried out extensive pre-consultation engagement, consulted on our proposals (including making our economic analysis available in a 'data room'), and have considered the feedback we received before finalising our rules. As set out above, we have also decided to publish data on lenders' progress in delivering their obligations under the scheme.
 - **Proportionate:** as set out in paragraph 16 above, our regulatory approach observes the regulatory principle of proportionality.
 - **Consistent:** as we set out in Chapter 3, the rules aim to ensure that as far as possible, all cases follow a straightforward process and similar cases receive a

similar outcome. Alternatives to a redress scheme would risk a greater number of consumers receiving inconsistent redress determinations.

- Targeted only at cases in which action is needed: our rules will require firms to assess liability based on whether there is or was an unfair relationship arising out of inadequate disclosure and, if so, whether that relationship resulted in loss or damage to consumers. While the use of presumptions (set out in Chapter 10) reflects our assessment that firms' failures and resulting consumer losses were widespread, by allowing firms to rebut these presumptions our rules preserve a fair opportunity for firms to present evidence that no failure or loss occurred, and as such conclude that no redress is due.

48. We have had regard to the Regulators' Code for the parts of the scheme that consist of general policies, principles or guidance and consider that our provisions are consistent with the principles of the code. For example, we engaged in a simple and straightforward way with firms during pre-consultation engagement. We have sought to set out the considerations behind the design of the rules in a transparent manner, in this paper and the package of associated documents published alongside it. We have also aimed to design the proposed scheme in a way that is clear and proportionate, taking into account the operational challenges that firm would face when complying with the rules.

Annex 4

List of respondents

A W Derbyshire	Allegiant Financial Services
Aaron Michael Smith	Amanda Randles
Aaron Thomas Hayes	Andrew Cunningham
Abdelhak Kermad	Andrew Garnham
Abdulrahman Ali	Andrew Hickling
Adam Briers Croft	Andrew Paul Bush
Adam Lloyd	Andrew Roger Reid
Adam Samuel	Andrew Stafford Smith
Addleshaw Goddard LLP	Andrew Walters
ADG Law	Andrew Wheeler
Admiral Finances Limited	Angela Bayliss
Adrian Estall	Angus Macsween
Adrian Foster-Fletcher	Anil Samji
Adrian Road	Anne Gayfer
Advantage Finance Ltd	Anne Ringland
AFS Compliance Ltd	Annie Hefford
Ahmed Ahmed	Anthony Carter
Ahmed AlShammaa	Anthony Christopher Grice
Ailsa Roberts	Anthony J Williams
Aimee Booth	Anthony Sharpe
Akar Mahmood	Anthony William Machin
Alan Jones	Arthur Forster
Alexander McKay Hogg	Ashley James Smith
Alice Mitchell	Association of Consumer Support Organisations Limited

Association of Mortgage Intermediaries
and Association of Finance Brokers

Asta Zokaityte

Auxillias Limited

Ayham Alkhatib

Badri Kurudi

Barbara Ann Whitehead

Barbara Remus

Barry Pearce

Barry William Patient

Bekim Bunjaku

Belinda Stewart

Bellouere

Benjamin Hill

Berkeley Thirsk

Betty Barovbe

Beverley Williams

Billing Finance Limited

BlackLion Law

BMW Financial Services (GB) Limited

BNP Paribas Personal Finance SA

Borderway Finance Limited

Bott and Co

Bradley Thorne

Brendan Byrne

Bryan Bestwick

Bryan Wright

CA Auto Finance

Callum McKenzie

Carl Ball

Carl Maidment

Carlton Roy Drummond

Carmoola

Carole McBryde McElroy

CCTA

Cecilia Yvonne Norman

Chander Kanta Farmah

Chantelle Sweeney

Charles Ramshaw

Charlotte Hanford

Christine Aldridge

Christopher Pinnington

Christopher Ansara, docStribute Ltd

Christopher Ian Harris

Christopher James Griffiths

Christopher Shaughnessy

Christopher William Morgan

Ciprian Haican

Citizens Advice Scotland

Claire Cockfield

Claire Elizabeth Chapman

Claire Hart

Clare Hale

Clare Taylor Aylward

ClearScore

Cliff Collin	Darren John Thomas
Clive Martin	Dave Bratley
Clive Wilson	David Bradley
Close Brothers Limited	David Craig
Colette Rankin	David Green
Colin Dickson	David Hammond Williams
Colin James Chapman	David Hardy
Colin Love	David Harrison
Colin Nattress	David Hilley
Colin Nicoll	David Keith Winter
Colin Owens	David Mcconville
Consultation Claims Ltd	David Meehan
Consumer Council for Northern Ireland	David Michael Meehan
Consumer Rights Solicitors Ltd	David Nash
Consumer Scotland	David Pomfret
Consumer Voice	David Salthouse
Courmacs	David Stuart Sharp
Creation Consumer Finance (BNP Paribas)	David T Macleod
Credit Services Association	David William Thorpe
Cristian Robert Runceanu	Davide Cavallaro
Cristian Vieriu	De Lage Landen Leasing Limited (DLL)
Dale Heywood	Debbie Hinchliffe
Daniel Haynes	Debby Sainsbury
Daniel Mather	Deborah Gibb Scougall
Danny John Hawkins	Denise Brush
Daren Roome	Dennis Graham Bradford
Darren Carter	Derek Anthony Wickens

Derek James Holland
Derek Leigh Preston
Dharmendra Tailor
Diana Rogan
Dorel Adrian Burfete
Dr Syed I A Gilani
Edna Askew
Edward Neil Morris
Eileen Dunne
Ekramul Haque
Elaine Charles
Elizabeth Ann Mallows
Elizabeth Anne McAneney
Elizabeth Gorman
Elizabeth Kelly
Emma Bradick
Emma Elizabeth Smith
Equifax Limited
Eram Capital Holdings Limited
Erik Ellis
Eugene Walsh
Evolution Funding
Exasoft Group
Experian
Fabien Alain Lilian Coste
Fairplane Solicitors Limited
FCE Bank

Ferrari Financial Services GmbH
Finn Hewitt
Fiona Graham
Fiona Nicol
First Response Finance Ltd
FirstRand Bank limited and MotoNovo Finance Limited
Ford Motor Credit Company
Francis Gallagher
Francis Speirs
Gail Lesley Watts
Gareth Forsyth
Garry Elliot
Garry Partington
Gary Griffiths
Gary Slack
Gavin Richards
Geoff Dover (FD Law Limited, trading as Heirloom Fair Legal)
Geoffrey Alan Davidson
Geordie Barry James Miller
George Field
Gerald J McCormack
Gerard David Sharpe
Gillian Percy
Glynis Ward
Goldman Smith Claims Management Ltd
Graham Leslie Richardson

Graham Proud	Ionela Brojboiu
Graham Smith	Ireneusz Rozalski
Graham Tribble	Isobel R Mitchell
Guardian Finance Limited	ITC Compliance Ltd
Gwen Burgess	iVendi
Hanna Rubinska	Jaime Hubbard
Harry Cordon	James Connal
Hartwell Finance Limited	James Edwards
HD Law	James Gillespie
Heather McMaster	James Kingston/New South Law
Howard Graham	James Latchford
Iain Alexander Scougall	James Linton
Iain Richardson	James McHeckett
Ian Bill	James Petrie
Ian Caminsky	Jason Daly
Ian Charles George Morgan	Jason Lavene
Ian George Francis Tagg	Jayne Alexander
Ian May	Jean Berdou
Ian Wilson	Jennifer Pritchard
Ian Witherley	Jessica Anna Eadie
ICAEW	Jillian Beedles
Ingeni Services	Jim Orchard
Insolvency Practitioners Association	Joanna Kramer
Insolvency Service	Joanne Aspinall
International Underwriting Association	Joanne Natasha Pegrum
Intrum UK Limited and Capquest Debt Recovery Limited	Joanne Ridout
Ionel Tilita Oprea	Joaquin Thomas Quenet

John Costema
John Duddigan
John Ernest Glover
John Ferries
John Horne
John Lee
John Smith
John Swift KC
John Wilson
John Wiltshire
Johnson Law Group
Jonathan Lewis
Joseph Aderemi Ojo
Joseph Edwards
Julia Morden
Julian Pike
Julie Burton
Julie Gibson
Juliet Matsa
Julija Petrovska
June Fitzpatrick
Justin William Poll Drane
Kamil Berk
Karen Amber
Karen Faulks
Karen Heffer
Karen Lycett

Karen Watson
Katarzyna Braszczynska
Katharine Hedges
Katrina McMahon
Kay Warren Morgan
Keith William Duke
Kelechi Ajoku
Kelly Goldsmith
Kenneth Stevens
Kevin Clark
Kevin Lester
Kevin Ramsay
Kevin Thomas
Kirsteen Lavin
Krista Anne Stephenson
Kristian Harding
Krzysztof Kwiatek
Krzysztof Wiszniewiecki
Larry Saunders Fern
Laura Toner
Laurence Emmett KC – One Essex
Court Law Firm
Lawrence Spencer Mann
Lendable Ltd
Lennox Haragaeb
Leslie Edward Harris
Leslie Thompson
Leszek Dlugi

Lisa Harker	Marsh Group
Lloyd James	Martha MacLeod
Loraine Day	Martin Chambers
Lord Michael J Moore	Martin Paul Stockting
Lorn Pearson	Martin Taylor
Louise Burgess	Mary Ramshaw
Louise Elizabeth Eckerman	Matthew Gwynn
Luisa Willis	Matthew Mount
Lyn Blanchard	Matthew Lucas
Lynn Taylor	Megan Holly Muldoon
Lynn Turner	Melanie Boyd
Mail Competition Forum	Mercedes-Benz Financial Services UK Limited
Malcolm Albert Jenkins	Metro Bank
Malcolm Douglass	Michael Barry
Malika Johal	Michael Clayton
Manjeet Marwhaya	Michael Stephen Smith
Manuel Lucian Maniu	Michael Williams
Marco (surname not provided)	Michaela Mampel
Maria Allard	Michayla Rapley
Marian Calder Thomson	Michelle Collins
Mariusz Buczynski	Michelle Weston
Mark Anthony Wheatley	Mihael Paval
Mark Harkins	Mihai Cretu
Mark Humphreys	Milliken Consulting
Mark Straker	Mitsubishi HC Capital UK PLC (trading as 'Novuna')
Mark Walker	Mobilize Financial Services UK
Marnie A Mitchell	

MoneySavingExpert
Monica Harding
Motor Finance
Remediation Consortium
Muhammad Soodhoo
Mustafa Mr Mehmet
Nakeita Frater
Nathan Fielding
Nathan Peverley
Neil Charlton
Neil Clifford
Neil Douglas Davies
Neil Finlay Toulouse
Neil Massam
Niall Keartland
Nicholas Dickson
Nicholas Georgiou
Nick Entwistle
Nicola Dyke
Nigel Smith
NII B Group Limited
Nilik Hosla
Nitin S Sharma
Norman Dent
Olabode Samuel Obe
Olton Alexander Limited
Oodle Financial Services Limited
Osborne Clarke LLP

P Patterson
Paolo Bottiglieri
Paragon Bank2
Patricia Hatt
Patricia Patterson
Paul Allen
Paul Carlier
Paul Clifford
Paul Cook
Paul Gardner
Paul Hardie
Paul Harding Williams
Paul Hutchinson
Paul Johnston
Paul Millington
Paul Richardson
Paul Turner
Peter Merifield
Peter Taylor
Peter Westacott
Philip Bullivant
Philip Derek Cook
Philip Hather
Philip Herbert
Philip Hunt
Philip Venables
Philip Williamson

Phillip Conteh	Santander UK
Prabhu Mahalingam	Scott Penfold
Premium Plan Ltd	Sebastian Dimmock
Radoslaw Matusz	Shahid Hussain
Razvan Alexandru Jitaru	Shannon O Sullivan
Razvan Damian	Sharon Baily
Reginald Davies	Sharon Rowe
Richard Barham	Sharon Smith
Richard Graham	Sheena King
Richard Graham Fox	Sheila Anderson
Richard Newbery	Shoosmiths LLP
Richard Rowlin	Simon Andrew Dawson
Robert Andrew Meadows	Simon Atkins
Robert Antrobus	Slater and Gordon
Robert Colin Ward	Sohail Khan, Curvature Ventures
Robert Rees	Solicitors Regulation Authority
Robin McCullough	Sonia Mary Wood
Robin Whyman	Soniya Biju
Rodney Howell	Startline Motor Finance
Ronnie McLean	Stellantis Financial Services
Roy Hughes	Stephanie Turner
Ryan Higginson	Stephen Alexander Dingwall
Ryan Scott	Stephen Collier
SA Compliance Management Ltd	Stephen David Russell de Niese
Salim Patel	Stephen Neville
Samuel Craig	Stephen William Parker
Sandra Robertson	Stephen Williamson

Steven Aw	Trevor Beadle
Steven Miller	Trevor West
Steven O'Reilly	United Trust Bank
Steven Paul Fenn	Unity Auto Finance Ltd
Stuart John Birch	Valary Mysko
Stuart Whitaker	Valerie Mary Emery
Susan Amer	Valerie Postins
Susan Edmondson	Vanquis (Moneybarn)
Susan Francis	Victor Randall
Susan Marie Dallas	Virgile Denouveaux
Tanya Nelson	Volkswagen Financial Services (UK) Limited
Terence McGee	Walter Limb
Terence Mortimer Jones	Walter Neilson
The Revd John Wiseman	Wesley Lock
The Tracing Group	William David Pettit
Thomas Gordon	William Doggett
Thomas Schumacher	William Gray
Thorsten Hendriks	William James Davies
Timothy Hughes	William John Barker
TLW LLP	William Mark Bingham
Tom Burden	William Rea
Tom Henderson	William Seville
Tom Woodward	Zoe Henderson
Tony Wride	Zopa Bank Limited
Toyota Financial Services (UK) PLC	Zuto Limited
Tracy Hancock	
TransUnion Information Group Limited	

Annex 5

Abbreviations used in this paper

Abbreviation	Description
APR	Annual Percentage Rate
CBA	Cost Benefit Analysis
CCA	Consumer Credit Act 1974
CEO	Chief Executive Officer
CONC	Consumer Credit Sourcebook in the FCA's Handbook
CMC	Claims Management Company
CONRED	Consumer Redress Schemes Sourcebook in the FCA's Handbook
CP	Consultation Paper
CPI	Consumer Prices Index
CRS	Consumer Redress Scheme
CRA	Credit Reference Agency
C+I	Commission plus Interest
DCA	Discretionary commission arrangement
DISP	Dispute Resolution: Complaints Sourcebook in the FCA's Handbook
DiC/DIC	Difference in Charges
DPA	Data Protection Act 2018
EANDCB	Equivalent Annual Net Direct Cost to Business
FCA	Financial Conduct Authority
Financial Ombudsman	Financial Ombudsman Service
FLS	Financial Lives Survey

Abbreviation	Description
FSMA	Financial Services and Markets Act 2000
FLA	Finance and Leasing Association
GDPR	General Data Protection Regulation
HMT	HM Treasury
HP	Hire Purchase
ID	Identity
IVA/s	Individual Voluntary Arrangement/s
Johnson	Johnson v FirstRand Bank Ltd, Wrench v FirstRand Bank Ltd, and Hopcraft v Close Brothers Ltd
KC	King's Counsel
LA	Limitation Act 1980
LRRA	Legislative and Regulatory Reform Act 2006
NBD	No Better Deal
Non-DCA	Non-Discretionary Commission Arrangement
NPV	Net Present Value
OFT	Office of Fair Trading
PR	Professional Representative
PPI	Payment Protection Insurance
ppt	percentage point
PCH	Personal Contract Hire
PCP	Personal Contract Payment
PRA	Prudential Regulation Authority
PS	Policy Statement
ROFR	Right of First Refusal
SM&CR	Senior Managers and Certification Regime

Abbreviation	Description
SMF	Senior Manager Function
SRA	Solicitors Regulation Authority
SUP	Supervision Manual in the FCA's Handbook
SYSC	Senior Management Arrangements, Systems and Controls Sourcebook in the FCA's Handbook
TCC	Total Cost of Credit

Appendix 1

Made rules (legal instrument)

MOTOR FINANCE COMMISSION CONSUMER REDRESS SCHEME (2014-2024) INSTRUMENT 2026

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under the following sections of the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 139A (Power of the FCA to give guidance);
 - (4) section 226 (Compulsory jurisdiction);
 - (5) section 395 (The FCA’s and PRA’s procedures);
 - (6) section 404(3) (Consumer redress schemes);
 - (7) section 404A (Rules under s.404: supplementary); and
 - (8) paragraph 23 (Fees) of Part 3 (Penalties and fees) of Schedule 1ZA (The Financial Conduct Authority).
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 31 March 2026.

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Fees manual (FEES)	Annex B
Dispute Resolution: Complaints sourcebook (DISP)	Annex C
Consumer Redress Schemes sourcebook (CONRED)	Annex D

Notes

- E. In the Annexes to this instrument, the notes (indicated by “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the Motor Finance Commission Consumer Redress Scheme (2014-2024) Instrument 2026.

By order of the Board
26 March 2026

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text.

Amend the following definition as shown.

complaint ...

- (2) (in *DISP*, except *DISP* 1.1 and (in relation to *collective portfolio management*) in the *consumer awareness rules*, the *complaints handling rules* and the *complaints record rule*, and in *CONRED* 5, *CONRED* 6, *CREDS* 9 and in *SUP* 12) any oral or written expression of dissatisfaction, whether justified or not, from, or on behalf of, a *person* about the provision of, or failure to provide, a financial service, *claims management service* or a *redress determination*, which:

...

...

- (4) (in *DISP*, *CONRED* 5 and *CONRED* 6) reference to a *complaint* includes:

...

...

Annex B

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text.

3 Application, Notification and Vetting Fees

...

3.2 Obligation to pay fees

...

3.2.7 R Table of application, notification, vetting and other fees payable to the FCA

Part 1A: Application, notification and vetting fees		
(1) Fee payer	(2) Fee payable (£) by reference to the pricing category in <i>FEES</i> 3 Annex 1AR.	Due date
...		
(zn) [deleted]	...	
(zo) In the case of <i>persons</i> in respect of which the <i>FCA</i> has given notice of its intention to take, or appoint a competent person to take, any steps under <i>CONRED</i> 2.5.12R, ~~or~~ <i>CONRED</i> 4.5.1R, <u><i>CONRED</i> 5.5.1R or <i>CONRED</i> 6.5.1R</u> either: (i) a Firm (as defined in <i>CONRED</i> 2.1.1R(1) or <u><i>CONRED</i> 4.1.3R</u>); or (ii) a <i>person</i> falling within <i>CONRED</i> 2.1.2R(1), ~~or~~ <i>CONRED</i> 4.1.5R, <u><i>CONRED</i> 5.1.4R or <i>CONRED</i> 6.1.4R</u>.	An amount equal to: (1) a sum determined by the number of hours, or part of an hour, taken by the <i>FCA</i> in relation to work conducted in taking steps under <i>CONRED</i> 2.5.12R, ~~or~~ <u><i>CONRED</i> 4.5.1R, <i>CONRED</i> 5.5.1R or <i>CONRED</i> 6.5.1R</u> recorded on the <i>FCA</i>'s systems, multiplied by the rate in <i>FEES</i> 3 Annex 9 (11)R; or (2) any amount invoiced to the <i>FCA</i> by a competent person in relation to any work carried out by that competent person in connection with its appointment by the <i>FCA</i> under <i>CONRED</i> 2.5.12R ~~or~~ <u><i>CONRED</i> 4.5.1R, <i>CONRED</i> 5.5.1R or <i>CONRED</i> 6.5.1R</u>.	Within 30 <i>days</i> of the date of the invoice.

...		

Annex C

Amendments to the Dispute Resolution: Complaints sourcebook (DISP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

App 5 Relevant motor finance discretionary commission arrangement complaint and motor finance non-discretionary commission arrangement complaint handling rules

...

App 5.2 Complaint handling rules in respect of a relevant motor finance DCA complaint and a motor finance non-DCA complaint

...

Time limits for a final response: motor finance non-DCA complaint

App 5.2.1B R ...

(2) For the purpose of calculating the eight-week period in:

- (a) *DISP* 1.6.2R;
- (b) *DISP* 1.6.7G;
- (c) *DISP* 2.8.1R(2); and
- (d) *DISP* 2.8.1R(4)(a),

time is to be treated as not running for the period beginning with ~~26 October 2024~~ 20 December 2024 and ending with 31 May 2026.

...

...

Annex D

Amendments to the Consumer Redress Schemes sourcebook (CONRED)

Insert the following new chapter, CONRED 5 (Motor finance commission consumer redress scheme (2014-2024)), after CONRED 4 (British Steel Consumer Redress Scheme). All the text is new and is not underlined.

5 Motor finance commission consumer redress scheme (2014-2024)

5.1 Interpretation, application and subject matter of the scheme

Definitions used in this chapter

5.1.1 R For the purposes of this chapter:

- (1) ‘Annual percentage rate of charge’ means the rate of the total charge for credit, expressed as an annual percentage of the total amount of credit, calculated in accordance with *CONC* App 1.
- (2) ‘Commission’ has the meaning given in *CONRED* 5.1.3(1).
- (3) *Complaint* includes:
 - (a) a relevant motor finance DCA complaint; and
 - (b) a motor finance non-DCA complaint,
 as each of those types of *complaint* are respectively defined in *DISP* App 5.1.2R and *DISP* App 5.1.3AR.
- (4) ‘Consumer’ means any individual falling within the meaning of ‘consumers’ in section 404E of the *Act* and includes:
 - (a) a partnership consisting of 2 or 3 persons not all of whom are bodies corporate; and
 - (b) an unincorporated body of persons which does not consist entirely of bodies corporate and is not a partnership.
- (5) ‘Credit broker’ means:
 - (a) a *credit broker*; or
 - (b) a person who was, at the time the relevant motor finance agreement was entered into, a *credit broker*.
- (6) ‘Disclosure information’ means the information described in *CONRED* 5.3.10R(1)(a) to (c).
- (7) ‘Durable medium’ means, in writing:

- (a) on paper; or
 - (b) using any instrument which:
 - (i) enables the recipient to store information addressed personally to the recipient in a way that is accessible for future reference and for a period of time adequate for the purposes of the information;
 - (ii) allows the unchanged reproduction of the information stored; and
 - (iii) is not communicated by way of a social media platform, a short message service (SMS) or another similar commercial messaging service.
- (8) ‘Early settlement payment’ means any payment to fully or partially discharge the consumer’s indebtedness under a motor finance agreement before the time fixed by that agreement, taking into account any rebate calculated in accordance with the formula at regulation 4 of the Consumer Credit (Early Settlement) Regulations (SI 2004/1483).
- (9) ‘High commission arrangement’ means an arrangement under which the total amount of commission was at least:
- (a) 39% of the total charge for credit; and
 - (b) 10% of the total amount of credit.
- (10) ‘Implementation period’ means a period of 3 *months* beginning with the scheme effective date.
- (11) ‘Lender’ means:
- (a) a *lender*; or
 - (b) a person who was, at the time the relevant motor finance agreement was entered into, a *lender*.
- (12) ‘Motor finance agreement’ means a credit agreement which is not an exempt agreement under articles 60C to 60H of the *Regulated Activities Order* which, in whole or in part, financed the purchase of a motor vehicle or under which a motor vehicle was bailed or hired.
- (13) ‘Motor vehicle’ means a mechanically propelled vehicle intended or adapted for use on roads to which the public has access.
- (14) ‘Opt-in’ means a written notification from, or on behalf of, a consumer indicating that the consumer agrees for their scheme case to be assessed for liability under the scheme.

- (15) ‘Opt-out’ means a written notification from, or on behalf of, a consumer indicating that the consumer does not want their scheme case to be assessed for liability under the scheme.
- (16) ‘Primary records’ means records of the type described in *CONRED* 5 Annex 1.1G(1) to (3).
- (17) ‘Priority debt’ means an obligation on the part of a consumer to make a payment:
 - (a) where the remedies for a breach of that obligation potentially include seeking possession of, or seeking to exercise a power of sale in respect of:
 - (i) the sole or main residence of the consumer (for example, an obligation to pay secured by a mortgage or charge in respect of land, an obligation to pay rent under a tenancy, or an obligation to make payment under a licence to occupy land); or
 - (ii) the consumer’s essential goods or services (for example, an obligation to pay under a hire purchase, conditional sale or hire agreement that relates to, or an obligation to pay secured by a charge on, the consumer’s cooker, refrigerator, or the means to travel to work); or
 - (b) where that obligation arises out of an order of the court, an Act or secondary legislation (for example, an obligation to pay council tax, child support maintenance, income tax or court fines); or
 - (c) where that obligation arises under a contract for the provision of utility supplies (for example, water, gas or electricity).
- (18) ‘Relevant arrangement’ has the meaning given in *CONRED* 5.2.19R(1) to (4).
- (19) ‘Scheme’ means the *consumer redress scheme* created by this chapter.
- (20) ‘Scheme case’ means a case that satisfies each of the conditions in *CONRED* 5.1.17R.
- (21) ‘Scheme effective date’ means 31 March 2026 and is the date that the scheme created by this chapter comes into force.
- (22) ‘Secondary records’ means:
 - (a) contemporaneous records of the type described in *CONRED* 5 Annex 1.1G(1) to (3) relating to other consumers who were in a sufficiently similar position as the consumer in the scheme case, and which include information that demonstrates the standard practices of the lender or the credit broker at the relevant time; or

- (b) records of the type described in *CONRED* 5 Annex 1.1G(4).
- (23) ‘Successor’ means a person who is a creditor for the purposes of section 140A of the *CCA* by virtue of section 140C(2) of that Act.
- (24) ‘Tied arrangement’ means a contractual arrangement between a lender and a credit broker under which the credit broker is required to:
 - (a) introduce consumers exclusively to the lender; or
 - (b) give the lender the option to provide an offer of credit to the consumer before the credit broker is entitled to approach another lender in respect of that consumer (including a ‘right of first refusal’ or an equivalent right of priority).
- (25) ‘Total amount of credit’ means the total sums made available under a motor finance agreement.
- (26) ‘Total charge for credit’ means the true cost to the borrower of the credit provided, or to be provided, under an actual or prospective motor finance agreement, calculated in accordance with *CONC* App 1.
- (27) ‘Total amount of commission’ has the meaning given in *CONRED* 5.1.3R(2).
- (28) ‘Unfair relationship provisions’ means sections 140A to 140C of the *CCA*.
- (29) ‘Very high commission arrangement’ means an arrangement under which the total amount of commission was at least:
 - (a) 50% of the total charge for credit; and
 - (b) 22.5% of the total amount of credit.

5.1.2 G The words and phrases that are in italics in this chapter have the meaning set out in the *Glossary*.

Meaning of ‘commission’ and related expressions

5.1.3 R For the purposes of this chapter:

- (1) ‘Commission’ means any commission, fee or other financial consideration or remuneration payable (directly or indirectly) by a lender to a credit broker in connection with the entering into of a specific motor finance agreement.
- (2) ‘Total amount of commission’ means the sum of all commission payable in connection with the entering into of a specific motor finance agreement.

- (3) All references to commission ‘payable’ refer to the amount of commission that the credit broker was entitled to receive under the arrangements providing for the payment of commission.
- (4) In determining the amount of commission that was payable, the lender may refer to evidence of the actual amount of commission paid to a credit broker in connection with a specific motor finance agreement contained in its financial records (see *CONRED 5 Annex 1.1G(1)(c)*) if it is a reasonable proxy.
- (5) References to ‘discretionary commission arrangement’ are to be read as including any arrangement which would, if it had been entered into on or after 28 January 2021, have constituted a *discretionary commission arrangement*.

- 5.1.4 G (1) The definition of commission captures any commission, fee or other financial consideration or remuneration payable in connection with the entering into of a specific motor finance agreement. As such, it will not capture sums that were payable for meeting aggregated transaction, performance or ‘volume’ targets rather than attributable to specific motor finance agreements entered into by consumers. A sum payable for meeting a target based on a specified cumulative total of transactions is not captured because that sum is not referable to any specific transaction comprised in that cumulative total. Firms are not required to retrospectively apportion payments that were not attributable to specific transactions at the time.
- (2) By contrast, if a commission sum was at the time attributable to a specific motor finance agreement, it will be caught by these rules irrespective of the administrative arrangements for the settling of that sum with the credit broker. For example, a payment made to the credit broker’s head office (rather than local dealership) which was calculated as a percentage of the total amount of credit is captured by the definition of commission, even if all such sums the credit broker was entitled to receive during a specified period (eg, over the year or per quarter) were in practice settled through a single administrative payment made at a later date. In these circumstances, each commission sum comprised in that payment is attributable to the entering into of a specific motor finance agreements rather than to the meeting of an ‘aggregated’ target.
- (3) The definition of commission also captures commission that is payable indirectly. This will include where commission that a credit broker was entitled to receive under the arrangements providing for the payment of commission were paid to the credit broker:
- (a) through an intermediary (including another credit broker); or
 - (b) by another third party on behalf of the lender (for example, under an arrangement where another company in the same *group* as the lender agreed to make the payment).

- (4) To identify the total amount of commission, the lender will need to calculate the sum of all commission payable in connection with the entering into of the relevant motor finance agreement. This will mean, for example, that:
 - (a) where commission was payable under more than one type of commission arrangement (for example, where commission was payable under both a discretionary commission arrangement and a fixed fee commission arrangement), the total amount of commission is the sum of the commission payable under each type of commission arrangement;
 - (b) it does not matter if different commission sums within the total amount of commission were payable to different administrative functions of the credit broker, or at different points in time (see also (2) above); and
 - (c) where commission was payable to more than one credit broker in connection with the entering into of the same motor finance agreement, the total amount of commission is the sum of the commission payable to each of those credit brokers.

Further interpretation provisions: transactions involving more than one motor finance agreement

- 5.1.5 R (1) This *rule* applies where a single motor vehicle sales transaction was financed by more than one motor finance agreement.
- (2) The lender should treat the transaction as a single scheme case for the purposes of the steps required under this chapter.
- (3) Provisions requiring a determination of the following in respect of a scheme case are to be interpreted in accordance with (2):
 - (a) whether one or more relevant arrangements is present; and
 - (b) whether there was a failure to provide adequate disclosure of one or more relevant arrangements giving rise to an unfair relationship that caused loss or damage (see third step in *CONRED 5.3*).
- (4) For the purposes of (3)(a):
 - (a) the total amount of commission must be calculated by aggregating the total amount of commission for each motor finance agreement; and
 - (b) to identify whether the definitions of high commission arrangement or very high commission arrangement are met, the following must be calculated by aggregating the relevant values for each motor finance agreement:

- (i) the total amount of commission;
 - (ii) the total charge for credit; and
 - (iii) the total amount of credit.
- (5) *CONRED* 5.4.23R applies for the purposes of calculating redress in scheme cases to which this rule applies.

Application to lenders

- 5.1.6 R (1) This chapter applies to a lender in respect of a motor finance agreement it entered into with a consumer:
- (a) in the circumstances described in (2);
 - (b) where the unfair relationship provisions apply in connection with the motor finance agreement; and
 - (c) where the consumer, at the time the agreement was entered into, was habitually resident in the *UK*.
- (2) The circumstances referred to in (1)(a) are that:
- (a) there were arrangements between the lender and a credit broker in connection with the entering into of the agreement relating to the payment of commission; and
 - (b) the agreement was entered into during the period beginning with 1 April 2014 and ending with 1 November 2024.
- 5.1.7 G The provisions of this scheme are without prejudice to any rights of indemnity or contribution a lender may have against a credit broker under the contractual arrangements between them or pursuant to the Civil Liability (Contribution) Act 1978.

Application to credit brokers

- 5.1.8 R The following provisions apply to a credit broker:
- (1) *CONRED* 5.1.9R;
 - (2) *CONRED* 5.2.23G;
 - (3) *CONRED* 5.2.28R;
 - (4) *CONRED* 5.3.6R;
 - (5) *CONRED* 5.4.29;
 - (6) *CONRED* 5.5.6R; and

(7) *CONRED 5.9.1R.*

5.1.9 R Where a credit broker receives a *complaint* in relation to the subject matter of the scheme, it must:

- (1) forward the *complaint* to the lender; and
- (2) inform the consumer that the *complaint* has been forwarded to the lender.

Application to successor where lender is insolvent or has ceased to exist

5.1.10 R (1) Where the conditions in (2) are met, this chapter applies to the following *person* as if it were the lender in scope of *CONRED 5.1.6R*:

- (a) for a motor finance agreement with a single successor, the successor; or
- (b) for a motor finance agreement with multiple successors, the *person* who became a successor first in time.

(2) The conditions are:

- (a) the motor finance agreement was entered into with a consumer by another *person*; and
- (b) (i) that *person* is a lender in scope of *CONRED 5.1.6R* and is subject to insolvency proceedings; or
- (ii) that *person* would have been a lender in scope of *CONRED 5.1.6R* but for the fact it ceased to exist before the scheme effective date.

Application to successors generally

5.1.11 R Subject to *CONRED 5.1.10R*, the following provisions apply to successors in respect of a motor finance agreement:

- (1) *CONRED 5.1.14G*;
- (2) *CONRED 5.2.6R*;
- (3) *CONRED 5.4.42R*;
- (4) *CONRED 5.4.43G*; and
- (5) *CONRED 5.9.1R.*

5.1.12 R Notwithstanding *CONRED 5.1.10R* and *CONRED 5.1.11R*, this chapter does not apply to a successor in respect of a motor finance agreement if that *person* became the successor after the fixed term of the motor finance agreement expired.

- 5.1.13 G (1) The definition of successor means that a *person* who has been assigned rights under a motor finance agreement will only be in scope if there was a legal assignment under section 136 of the Law of Property Act 1925, with notice being given to the consumer.
- (2) A successor may be in scope of this scheme even if it is an *unauthorised person* because of the expanded definition of a relevant firm in section 404F(5) of the *Act*.

- 5.1.14 G The provisions of this scheme are without prejudice to any rights of indemnity or contribution a successor may have against a lender under the contractual arrangements between them or pursuant to the Civil Liability (Contribution) Act 1978.

Duration of the scheme

- 5.1.15 R The scheme comes into force on the scheme effective date and has no end date.

Subject matter of the scheme

- 5.1.16 R The subject matter of the scheme is whether, in a scheme case, there was inadequate disclosure of any of the following in connection with the entering into of a motor finance agreement:
- (1) a discretionary commission arrangement;
 - (2) the payment of commission;
 - (3) a tied arrangement; or
 - (4) any other arrangement between a lender and a credit broker under which the credit broker was incentivised (directly or indirectly) to introduce consumers wishing to enter into motor finance agreements to that lender.

Scheme case

- 5.1.17 R (1) A 'scheme case' is a case that satisfies each of the following conditions:
- (a) it involves a motor finance agreement falling within *CONRED* 5.1.6R;
 - (b) the motor finance agreement was not cancelled;
 - (c) commission was payable (directly or indirectly) by the lender to a credit broker in connection with the entering into of the motor finance agreement;
 - (d) subject to (2), the total amount of credit did not exceed the amount specified in the second column of the table in *CONRED*

- 5.1.18R for the year in which the motor finance agreement was entered into;
- (e) subject to *CONRED* 5.1.19R, the consumer has not accepted an offer of redress from the lender or the credit broker:
 - (i) for a claim directly arising out of a motor finance agreement in (a) that falls within the subject matter of this scheme; or
 - (ii) in full and final settlement of all potential claims in connection with the consumer's motor finance agreement;
 - (f) the motor finance agreement in (a) has not been the subject of:
 - (i) court proceedings where there has been a decision on the merits in relation to a claim falling within the subject matter of the scheme; or
 - (ii) a *complaint* by the consumer to the *Financial Ombudsman Service* that falls within the subject matter of the scheme and where the merits of that *complaint* have been considered by the *Financial Ombudsman Service*; and
 - (g) the lender determines, after having regard to the *rules* and *guidance* in *CONRED* 5.1.20G to *CONRED* 5.1.24R, that if the consumer brought a claim falling within the subject matter of the scheme against the lender under section 140A of the *CCA*:
 - (i) the limitation period (in England and Wales, and Northern Ireland) would not have expired before the rules creating the scheme were made; or
 - (ii) the claim would not be precluded by a period of prescription (in Scotland).
- (2) The condition in (1)(d) does not apply where the motor vehicle to which the motor finance agreement relates was constructed or adapted to enable a person with a disability to travel in the vehicle as a driver or a passenger (and 'disability' has the same meaning as in section 6(1) of the Equality Act 2010).
- (3) For the purposes of this *rule*, 'cancelled' means that the consumer exercised a statutory or contractual right of withdrawal or cancellation within an initial notice or 'cooling off' period which resulted in the motor finance agreement being cancelled (including where the motor finance agreement was cancelled because the consumer exercised a right to cancel an agreement for the supply of the motor vehicle).

- 5.1.18 R Table: Threshold for exclusion from being a scheme case for the purposes of *CONRED* 5.1.17R(1)(d).

Year	Total amount of credit
2014	£56,000
2015	£60,000
2016	£61,000
2017	£65,000
2018	£68,000
2019	£70,000
2020	£73,000
2021	£75,000
2022	£80,000
2023	£82,000
2024	£82,000

- 5.1.19 R The condition in *CONRED* 5.1.17R(1)(e) does not apply if a lender or the credit broker has defaulted in its obligation to make the payment by the agreed date.

Extension of limitation periods for unfair relationship provisions: general

- 5.1.20 G Pursuant to section 404(8) of the *Act*, a lender should conduct the assessment of limitation in *CONRED* 5.1.17R(1)(g) with reference to the position on 25 March 2026 (which is the day before the scheme *rules* were made).

Extension of limitation periods for unfair relationship provisions: England and Wales

- 5.1.21 G (1) The limitation period for a claim under section 140A of the *CCA* seeking a monetary remedy is 6 years from the end of the credit relationship (which will normally be the end of the motor finance agreement) in England and Wales.
- (2) Under section 32(1)(b) of the Limitation Act 1980, if any fact relevant to the claimant's right of action has been deliberately concealed from them by the defendant or its agent (which may include the lender or the

broker), the period of limitation will not begin to run until the claimant has discovered the concealment or could with reasonable diligence have discovered it.

- (3) In an unfair relationship claim under section 140A of the *CCA* arising out of the inadequate disclosure of a discretionary commission arrangement, high commission arrangement and/or tied arrangement, the facts relevant to the claimant's right of action will include the disclosure information described in *CONRED* 5.3.10R(1)(a) to (c) respectively.
- (4) In applying section 32(1)(b) of the Limitation Act 1980, the lender must apply section 56(2) of the *CCA*, which deems that relevant antecedent negotiations have been conducted by the negotiator (for example, the credit broker) in the capacity of the creditor (for example, the lender) as well as in their actual capacity.
- (5) Subject to (7), the fact or facts relevant to the claimant's right of action are likely to have been deliberately concealed, and the claimant is likely to be able to show that they could not with reasonable diligence have discovered them, to the extent that the information in *CONRED* 5.3.10R(1)(a) to (c), as applicable, was not clearly and prominently provided in the manner described in *CONRED* 5.3.10R(2) to (4).
- (6) It is unlikely that, where (5) applies, disclosure of the bare fact, or possibility, of commission being payable (for example, that commission 'would' be, 'may' be, 'is' or 'is typically' payable) will be sufficient for the defendant to argue either that there has not been any deliberate concealment of the facts relevant to the claimant's right of action, or that the claimant could with reasonable diligence have discovered all such relevant facts. For example, even if there was disclosure that a commission would be paid, it is unlikely that a disclosure of this nature would, in and of itself, be sufficient to mean that there was no concealment of the fact that the credit broker was permitted to select the interest rate provided for under the motor finance agreement in a way that affected the amount of commission that would be received by the credit broker. Nor is it likely that the claimant could, with reasonable diligence, have discovered that fact based on such a disclosure.
- (7) It is likely that the defendant will be able to demonstrate that the claimant could, with reasonable diligence, have discovered the facts relevant to their right of action such that the period of limitation will have begun to run from the end of the motor finance agreement (see (1)) where:
 - (a) the unfair relationship claim relates solely to a high commission arrangement; and
 - (b) there was clear and prominent disclosure, in the manner described in *CONRED* 5.3.10R(2) to (4), of the bare fact of, or possibility of, commission being payable (for example, that commission 'would' be, 'may' be, 'is' or 'is typically' payable), but not of the amount of commission payable to the credit broker in respect of

the consumer's agreement (ie, the amount of commission in monetary terms or the method by which the commission amount would be calculated such that the consumer was able to understand its size) (see *CONRED* 5.3.10R(1)(b)).

- (8) In considering whether there was clear and prominent disclosure for the purposes of *CONRED* (5) and (7)(b), firms should have regard to *CONRED* 5.3.11G.

Extension of limitation periods for unfair relationship provisions: Northern Ireland

- 5.1.22 G (1) The limitation period for a claim under section 140A of the *CCA* seeking a monetary remedy is 6 years from the end of the motor finance agreement in Northern Ireland.
- (2) Under article 71(1)(b) of the Limitation (Northern Ireland) Order 1989 (SI 1989/1339 (N.I. 11)), if any fact relevant to the claimant's right of action has been deliberately concealed from them by the defendant or its agent (which may include the lender or the credit broker), the period of limitation will not begin to run until the claimant has discovered the concealment or could with reasonable diligence have discovered it.
- (3) The *guidance* set out in *CONRED* 5.1.21G(3) to (8) applies.

Prescription period in Scotland for unfair relationship claims

- 5.1.23 G (1) In Scotland, time limits – referred to as prescription – applicable to bringing a legal claim are governed by the Prescription and Limitation (Scotland) Act 1973 ('the 1973 Act').
- (2) The 1973 Act does not impose a period of prescription on an unfair relationship claim under section 140A of the *CCA*, or a remedy awarded pursuant to section 140B of the *CCA*.

Applicable law for the purposes of limitation

- 5.1.24 R For the purposes of *CONRED* 5.1.17R(1)(g), the applicable law is:
- (1) that of the *UK* territory where, in connection with the motor finance agreement:
- (a) the consumer has agreed to the lender's *terms of business*; and
 - (b) those *terms of business* include a clause providing for the application of the law of a particular *UK* territory (that is, England and Wales, Northern Ireland or Scotland); or
- (2) (if (1) does not apply) that of the *UK* territory where both the lender entered into the motor finance agreement and the consumer was habitually resident at the time the motor finance agreement was entered into; or

- (3) (if neither (1) nor (2) apply) that of the *UK* territory where the consumer was habitually resident at the time the motor finance agreement was entered into; or
- (4) (if none of (1), (2) or (3) apply) that of the *UK* territory where the lender entered into the motor finance agreement.

Gibraltar-based firms

- 5.1.25 R This chapter applies to a *Gibraltar-based firm* in respect of motor finance agreements falling within *CONRED* 5.1.6R.

5.2 Consumer redress scheme: scheme steps and identifying scheme cases

Notice required during implementation period

- 5.2.1 R A lender must not take any scheme steps before the end of the implementation period unless the lender has provided the *FCA* with at least 15 *working days* prior notice of its intention to commence taking scheme steps.
- 5.2.2 G *CONRED* 5.9.4R sets out the information that a lender must include in a notice provided to the *FCA* to comply with *CONRED* 5.2.1R.

Overview of scheme steps

- 5.2.3 G The lender must take the following steps in this chapter in respect of each motor finance agreement as applicable:
- (1) first step – identify *complaints* it has received before the end of the implementation period;
 - (2) second step – identify motor finance agreements in respect of which it does not have a *complaint*;
 - (3) in respect of agreements identified under (1) and (2), in accordance with *CONRED* 5.2.9R and *CONRED* 5.2.11R, determine:
 - (a) which are scheme cases; and
 - (b) of the agreements that are scheme cases, whether there is one or more relevant arrangement present;
 - (4) for scheme cases that have one or more relevant arrangement identified in the first step (existing complaints) proceed to the third step;
 - (5) for scheme cases with one or more relevant arrangement identified in the second step, in accordance with *CONRED* 5.2.11R(2), invite the consumer to opt in to the scheme and, if the consumer opts in, proceed to the third step;

- (6) third step – in accordance with *CONRED* 5.3, determine whether an unfair relationship exists or existed and, if it did, whether the unfairness caused any loss or damage;
- (7) fourth step – calculate redress in accordance with *CONRED* 5.4;
- (8) fifth step – send a provisional redress decision and, if necessary a *redress determination*, in accordance with *CONRED* 5.4.36R and *CONRED* 5.4.37R.

Disapplication of DISP time limits for complaint handling

- 5.2.4 R (1) A *complaint* which is a:
- (a) relevant motor finance DCA complaint; or
 - (b) motor finance non-DCA complaint,
- must be handled by a lender in accordance with the *rules* in this chapter, including any applicable time limits, notwithstanding any *DISP* time limits that would apply to the *complaint* but for this provision.
- (2) This *rule* does not apply if a *complaint* falls outside the subject matter of the scheme.

Application of DISP to a mixed complaint

- 5.2.5 R Where a *complaint* is about matters that fall within the scheme and matters that do not, a lender must:
- (1) in relation to the matters that do not, send the consumer a *final response*; and
 - (2) as applicable, send the *final response* in (1):
 - (a) no later than 1 *month* after a provisional redress decision is accepted by a consumer under the scheme; or
 - (b) at the same time as sending a *redress determination* under the scheme.

Cooperation between lenders and successors

- 5.2.6 R (1) For scheme cases with one or more relevant arrangement, lenders must determine whether there are any successors and, where one or more is identified, keep the successor(s) informed of the steps taken by the lender.
- (2) Lenders and successors must cooperate with one another when carrying out their obligations under the scheme, including the sharing of information.

- (3) Where a successor receives a *complaint* and a lender is responsible under the scheme for assessing that *complaint*, the successor must forward the *complaint* promptly to the lender and inform the consumer or their personal representative that it has done so.

Early settlement of scheme cases

- 5.2.7 R (1) In relation to any scheme case, a lender may, at any time, make an offer to a consumer in the form of a provisional redress decision in a durable medium that includes the information set out in *CONRED 5 Annex 2* to settle the case in full and final settlement of all claims relating to the subject matter of the scheme and which provides the consumer with 1 *month* to respond.
- (2) Where an offer is made under (1), the lender must demonstrate in the provisional redress decision that the amount of the offer is no less than the maximum redress that would be available under *CONRED 5.4* and may, as part of the offer, apply set-off under *CONRED 5.4.24R*, where applicable.
- (3) Where the lender makes an offer in accordance with this *rule*, the lender is not required to complete any of the remaining steps set out in this chapter in relation to that motor finance agreement other than the fifth step.
- 5.2.8 G *CONRED 5.4.37R* and *CONRED 5.4.38R* set out the requirements on a lender following a response from a consumer to a provisional redress decision made under *CONRED 5.2.7R(1)*. The *FCA* considers that a decision to revise the amount of redress offered following an objection from a consumer under *CONRED 5.4.37R* is limited to deciding whether the amount of redress was calculated in accordance with *CONRED 5.2.7R(2)*.

First step: contacting consumers who have made complaints

- 5.2.9 R (1) This *rule* applies to a *complaint* received before:
 - (a) the scheme effective date; or
 - (b) the end of the implementation period.
- (2) Subject to (3), a lender must:
 - (a) assess whether the *complaint* is in relation to a scheme case that meets the conditions set out in *CONRED 5.1.17R*;
 - (b) where the case does not meet the conditions of a scheme case:
 - (i) inform the consumer of that decision and the reasons for it by sending a *redress determination* in a durable medium containing the information in *CONRED 5 Annex 5.1R*; and

- (ii) send a *final response* at the same time as sending a *redress determination* in (i);
 - (c) assess whether a scheme case identified in (a) includes one or more relevant arrangement (for the meaning of ‘relevant arrangement’ see *CONRED* 5.2.18G to *CONRED* 5.2.22R);
 - (d) where the *complaint* relates to a scheme case which includes one or more relevant arrangement, complete the remaining steps in this chapter, as applicable, in relation to all relevant arrangements, including sending a first provisional redress decision to the complainant;
 - (e) where the *complaint* relates to a scheme case which does not include a relevant arrangement:
 - (i) inform the consumer of that decision and the reasons for it by sending a provisional redress decision in a durable medium which contains the information set out in *CONRED* 5 Annex 4.1R and which provides the consumer with 1 *month* to respond; and
 - (ii) if applicable, send a *final response* in relation to any matters that do not fall within the scheme in accordance with (iii);
 - (iii) a *final response* in (ii) must be sent either: (a) no later than one *month* after a provisional redress decision is accepted by a consumer under the scheme; or (b) at the same time as sending a *redress determination* under the scheme.
 - (f) within a period of 6 *months* beginning with the scheme effective date, complete this step and any other steps in this chapter that are necessary to provide the complainant with their first *redress determination* or provisional redress decision; and
 - (g) include a request to indicate whether the consumer is going to opt out of the scheme in a *redress determination* or provisional redress decision which is the first communication sent to a consumer in accordance with (f).
- (3) Where a *complaint* to which this *rule* applies is a *complaint* in response to which, by the scheme effective date, a lender or credit broker has sent the complainant a *final response* which rejects the *complaint*:
- (a) paragraph (2) does not apply; and
 - (b) *CONRED* 5.2.11R applies to the motor finance agreement to which the complaint relates as if no complaint had been made.

Option to pause the first step: dual track cases

- 5.2.10 R (1) In relation to a dual track case, if (2) applies, a lender may:
- (a) continue to process; or
 - (b) pause processing,
- a scheme case in accordance with the requirements set out in this chapter.
- (2) A lender may elect to pause the processing of a dual track case if the relevant court proceedings are not stayed or withdrawn.
- (3) If a lender elects to pause the processing of a dual track case, it must issue a notice in a durable medium to a consumer at least 14 *days* before the lender intends to pause the processing of the dual track case.
- (4) A notice under (3) must contain the following information:
- (a) that the lender will pause handling of the scheme case unless the lender receives evidence that the relevant court proceedings are stayed or withdrawn;
 - (b) that the lender will resume processing the scheme case if the relevant court proceedings are stayed or withdrawn; and
 - (c) a warning that a consumer may be required to pay the lender's legal costs if the consumer decides to withdraw from the relevant court proceedings.
- (5) A lender must resume processing a dual track case if at any time the relevant court proceedings are stayed or withdrawn.
- (6) If a court issues a judgment in a dual track case, it will cease to be a scheme case and a lender will not be required to take any further action in relation to it.
- (7) If a lender issues a notice in accordance with (3), it has the effect of suspending each deadline in this chapter which has not yet expired until the date the lender receives notice that:
- (a) proceedings are stayed or withdrawn; or
 - (b) the date of judgment.
- (8) In this *rule*:
- (a) a 'dual track case' means a scheme case in relation to which court proceedings have been issued in relation to the same motor

finance agreement by, or on behalf of, a consumer in any court or tribunal in the *United Kingdom*; and

- (b) ‘withdrawn’ means discontinued or otherwise brought to an end, so that the court will not determine the parties’ rights or liabilities in respect of the claim.

Second step: contacting consumers about motor finance agreements where no complaint has been made

- 5.2.11 R (1) Subject to *CONRED* 5.2.9R(3), this *rule* applies to motor finance agreements in relation to which a complaint meeting the requirements in *CONRED* 5.2.9R(1) has not been received by a lender.
- (2) A lender must:
- (a) identify whether the agreement meets the conditions of a scheme case in *CONRED* 5.1.17R;
 - (b) assess whether a scheme case identified in (2)(a) includes at least one relevant arrangement;
 - (c) where a scheme case includes at least one relevant arrangement, send a communication in a durable medium in the form set out in *CONRED* 5 Annex 6.1R to:
 - (i) inform the consumer that the agreement is a scheme case and includes at least one relevant arrangement; and
 - (ii) invite the consumer to opt in to the scheme within 6 *months* starting with the day the communication is sent by the lender;
 - (d) where an agreement is not a scheme case because the condition in *CONRED* 5.1.17R(1)(g) is not met and it includes at least one relevant arrangement, inform the consumer of the decision that it is not a scheme case for that reason in a *redress determination* provided in a durable medium with the content set out in *CONRED* 5 Annex 7.1R; and
 - (e) complete this step within a period of 9 *months* beginning with the scheme effective date.
- 5.2.12 G (1) Where no *complaint* has been made to the lender about an existing motor finance agreement, there is no requirement for that lender to contact the relevant consumer under this scheme where the agreement is not a scheme case, unless *CONRED* 5.2.11R(2)(d) applies.
- (2) Where no *complaint* has been made and there are no relevant arrangements in relation to a scheme case, there is no requirement for a lender to contact the relevant consumer.

Identifying scheme cases and relevant arrangements: insufficient information

- 5.2.13 R Where a lender cannot identify whether a case is a scheme case with one or more relevant arrangement in accordance with *CONRED* 5.2.9R(2)(a) and (c) or *CONRED* 5.2.11R(2)(a) and (b), it must:
- (1) where the reason is because it does not have the relevant records and information, follow the *rules* and *guidance* set out in *CONRED* 5.2.23G to *CONRED* 5.2.28R; and
 - (2) where, having followed those *rules* and that *guidance*, it still cannot make that determination, follow the process set out in *CONRED* 5.2.29R to *CONRED* 5.2.31R.

Opt-in reminders

- 5.2.14 R (1) Where the lender has not received an opt-in within 1 *month* of sending the communication in *CONRED* 5.2.11R(2)(c), the lender must, within 1 *month*, send the consumer an opt-in follow-up communication in a durable medium containing the information set out in *CONRED* 5 Annex 8.1R.
- (2) Where the lender has not received an opt-in from the consumer within 1 *month* of the opt-in follow-up communication in (1), the lender must follow the process set out in *CONRED* 5.7.13R to *CONRED* 5.7.16R in taking all reasonable steps to contact the consumer.
- (3) Subject to *CONRED* 5.4.40R, where a lender receives an opt-in more than 6 *months* after the consumer was sent the opt-in communication in accordance with *CONRED* 5.2.11R, the lender may determine not to proceed with the case. Upon deciding not to proceed, it must:
- (a) inform the consumer of that determination and the reasons for it in a provisional redress decision in a durable medium containing the information in *CONRED* 5 Annex 2; and
 - (b) provide the consumer with 1 *month* to respond.

Next steps for opt-in cases

- 5.2.15 R (1) Paragraph (2) applies where, with respect to all scheme cases identified in *CONRED* 5.2.11R, the consumer has opted in within 6 *months* of being sent the opt-in communication in *CONRED* 5.2.11R(2)(c).
- (2) The lender must:
- (a) within 7 *days* of receiving the response, send the consumer an acknowledgment in a durable medium to confirm that the scheme case is being assessed under the scheme and setting out the deadlines for next steps;

- (b) proceed to the third step; and
 - (c) within a period of 3 *months* beginning with the date the response is received, complete any other steps in this chapter that are necessary to provide the complainant with a *redress determination* or provisional redress decision.
- (3) Where a lender must send a communication to a consumer under *CONRED 5.2.11R(2)(c)*, it may:
- (a) complete the remaining steps in this chapter in respect of that agreement before the expiry of the 9-*month* period referred to in that *rule*; and
 - (b) send the provisional redress decision required by those steps with that communication.
- (4) Where a lender sends a provisional redress communication under (3), the time within which the consumer is required to respond is the same as the 6-*month* period it has to respond to the communication inviting the consumer to opt in to the scheme referred to in *CONRED 5.2.11R(2)(c)*.

Responses to first step and second step provisional redress decisions: lender obligations

- 5.2.16 R (1) This rule applies where a lender has sent a provisional redress decision under:
- (a) *CONRED 5.2.9R(2)(e)(i)*;
 - (b) *CONRED 5.2.14R(3)*; or
 - (c) *CONRED 5.2.30R(1)*.
- (2) Where the consumer responds to the provisional redress decision within 1 *month* stating that they do not wish to have their case considered under this scheme, the lender must, within a 7-*day* period beginning on the day the response is received, send the consumer a communication to:
- (a) acknowledge the response; and
 - (b) explain that the case will not be dealt with any further.
- (3) Where the consumer responds to the provisional redress decision within 1 *month* stating that they accept the decision, the lender must, within a 7-*day* period beginning on the day the response is received, send the consumer a communication acknowledging the acceptance.
- (4) Where a consumer responds to the provisional redress decision within 1 *month* objecting to the decision, the lender must:

- (a) send an acknowledgment containing the information in *CONRED 5 Annex 10.1R* within *7 days*, requiring the consumer to provide further details of the objection, including any evidence supporting the objection, within *1 month* of the date of the acknowledgment;
 - (b) decide whether it should proceed to the third step on the basis of the objection, including any representations and any supporting evidence from the consumer; and
 - (c) undertake one of the actions set out in (5) within *2 months* of:
 - (i) the date it receives the further details of the objection; or
 - (ii) where receives no further details within *1 month* of the date of the acknowledgment in accordance with (a), the date of the expiry of that *1 month* period.
- (5) The actions in (4)(c) are:
- (a) send a *redress determination* confirming the provisional redress decision containing the information in *CONRED 5 Annex 3*; or
 - (b) complete the remaining steps under this chapter necessary to provide the consumer with their next provisional redress decision or *redress determination*.
- (6) Where the lender accepts the consumer's objection, provided in accordance with (4), it must proceed to the third step in *CONRED 5.3*.
- (7) Where the consumer does not respond to the provisional redress decision within *1 month*, the lender must send a *redress determination* confirming the provisional redress decision containing the information in *CONRED 5 Annex 3* within *1 month* of the expiry of that period.
- (8) Any communication sent by a lender under this *rule* must be sent in a durable medium.

Complaints received after the end of the implementation period

- 5.2.17 R (1) This *rule* does not apply if the lender has sent:
- (a) an opt-in communication to the consumer within the prescribed deadlines in this chapter, and the deadline for the consumer to opt in has expired; or
 - (b) a provisional redress decision or a *redress determination* to the consumer under any provision in this chapter.
- (2) Where a lender receives a *complaint* from a consumer relating to a motor finance agreement after the end of the implementation period and

before the end of a period of 17 *months* beginning with the scheme effective date, it must:

- (a) treat the *complaint* as it would have treated a *complaint* received before the end of the implementation period under *CONRED* 5.2.9R, except that any communication required to be sent in accordance with that *rule* must be sent within a period of 3 *months* beginning with the date the *complaint* is received; or
 - (b) where the *complaint* relates to an agreement in relation to which an opt-in communication has been sent under *CONRED* 5.2.11R(2)(c), treat the *complaint* as an opt-in.
- (3) Where (2)(a) applies, the requirement in *CONRED* 5.2.11R(2)(d) does not apply.
- (4) Where a lender receives a *complaint* from a consumer relating to a motor finance agreement after the end of a period of 17 *months* beginning with the scheme effective date and the failure to comply with that time limit was caused by exceptional circumstance as set out in *CONRED* 5.4.41G, (2)(a) applies.

Identifying a relevant arrangement

- 5.2.18 G *CONRED* 5.2.19R sets out the circumstances in which a discretionary commission, high commission or tied arrangement will be a relevant arrangement for the purposes of the scheme, including the exceptions that apply. *CONRED* 5.2.20R to *CONRED* 5.2.22R then make further provision about the exception for captive and white label relationships, and the evidence that will be required to demonstrate that it applies.
- 5.2.19 R (1) Each of the following is a relevant arrangement unless at least one of the exceptions in (2) to (4) apply in respect of that arrangement:
- (a) a discretionary commission arrangement;
 - (b) a high commission arrangement; or
 - (c) a tied arrangement.
- (2) A discretionary commission arrangement, a high commission arrangement, or a tied arrangement is not a relevant arrangement if:
- (a) the total amount of commission was £150 or less; or
 - (b) the annual percentage rate for the motor finance agreement was 0%.
- (3) A discretionary commission arrangement is not a relevant arrangement if the interest rate that applied under the motor finance agreement was the lowest rate of interest in the range of interest rates that could have

been selected by the credit broker under the discretionary commission arrangement.

- (4) A tied arrangement is not a relevant arrangement where the exception for captive and white label relationships described in *CONRED* 5.2.20R applies.
- (5) For the purposes of (3), the lowest rate of interest in the range is the rate at which the credit broker would not receive commission in respect of the motor finance agreement because of the exercise of its discretion under the discretionary commission arrangement.
- (6) The exceptions in (2) to (4) only apply where the lender can demonstrate the application of the exception on the basis of evidence (see also *CONRED* 5.2.24R and (with respect to the exception in (4)) *CONRED* 5.2.22R).
- (7) If a lender has identified that an arrangement set out at (1)(a) to (c) is present in a scheme case but cannot demonstrate that one of the exceptions in (2) to (4) applies in respect of that arrangement, it must determine that the arrangement is a relevant arrangement.

Identifying a relevant arrangement: exception for captive and white label relationships

- 5.2.20 R (1) The exception referred to in *CONRED* 5.2.19R(4) applies where the motor finance agreement was entered into in the following circumstances:
- (a) the lender (L) was at the relevant time a captive lender of, or operating as a white label lender of, the manufacturer (M) of the motor vehicle acquired using the motor finance agreement;
 - (b) the credit broker (C) that introduced the consumer to L was at the relevant time a franchised dealer of M; and
 - (c) a trading name or branding commonly associated with the brand of the motor vehicle being acquired in the scheme case was clearly and prominently presented in:
 - (i) a dedicated premises, or clearly segregated area of the premises, of C visited by the consumer;
 - (ii) marketing materials or other communications relating to the motor finance agreement presented to the consumer prior to the consumer entering into the motor finance agreement; and
 - (iii) the motor finance agreement.
- (2) A captive lender of M means a lender that:

- (a) had the main business purpose of providing finance in connection with the acquisition of motor vehicles manufactured by M;
 - (b) was a *subsidiary undertaking* of M; and
 - (c) operated under one or more trading names commonly associated with those motor vehicles.
- (3) A lender operating as a white label lender of M means a lender (other than a captive lender) that was party to an agreement with M under which it:
 - (a) provided finance in connection with the acquisition of motor vehicles manufactured by M; and
 - (b) operated under one or more trading names commonly associated with those motor vehicles when providing that finance.
- (4) A franchised dealer of M means a credit broker that supplied one or more brands of vehicle manufactured by M using a trading name or other branding commonly associated with those motor vehicles and was either:
 - (a) a *subsidiary undertaking* of M; or
 - (b) operating pursuant to an agreement with M under which the credit broker was permitted to supply those vehicles using that trading name or other branding.
- (5) Where the context requires, references to ‘the manufacturer’ or ‘M’ are to be read as including another undertaking in the same group as M.
- (6) For the purposes of this *rule* (and *CONRED* 5.2.22R):
 - (a) ‘acquired’ means through purchase or bailment (or in Scotland, hire), and references to ‘acquisition’ are to be read accordingly;
 - (b) ‘premises’ means a dealer’s place of business including a motor vehicle forecourt;
 - (c) ‘providing finance’ means providing credit under consumer credit agreements within the meaning of the *CCA*; and
 - (d) ‘supply’ means:
 - (i) selling or offering to sell; and
 - (ii) bailment (or in Scotland, hiring);
 and references to ‘supplied’ or ‘supplier’ are to be read accordingly.

- 5.2.21 G The purpose of *CONRED* 5.2.20R(5) is to capture vehicle manufacturing *group* structures. For example, where the lender and the motor vehicle manufacturer are both *subsidiary undertakings* of a *parent undertaking* in the same *group* as the vehicle manufacturer (eg, a group holding company), the reference to the lender being a captive lender of M should be read as if the reference to M is a reference to the manufacturer's *parent undertaking*.

Identifying a relevant arrangement: evidencing reliance on the exception for captive and white label relationships

- 5.2.22 R (1) To demonstrate that the exception in *CONRED* 5.2.19R(4) applies (see *CONRED* 5.2.19R(6)), the lender must have evidence that demonstrates that each of the conditions in *CONRED* 5.2.20R(1) are met.
- (2) The lender may rely on the following to demonstrate that the conditions in *CONRED* 5.2.20R(1)(a) are met:
- (a) primary records; or
 - (b) reasonable assumptions made by relying on secondary records.
- (3) If the records in (2)(a) and (b) are not available, the lender may also rely on reasonable assumptions made by relying on primary or secondary records relating to a comparable credit broker.
- (4) To determine that the circumstances in *CONRED* 5.2.20R(1)(c) apply, the lender must identify evidence which:
- (a) demonstrates how the trading name or branding commonly associated with the brand of the motor vehicle being acquired in the scheme case was more likely than not presented to the consumer; and
 - (b) relates to a period of time that is contemporaneous with the time the consumer entered into their motor finance agreement.
- (5) For the purposes of (4), the lender may rely on:
- (a) primary records of the type described in *CONRED* 5 Annex 1.1G(3) which the lender has reasonable grounds to believe were presented to the consumer before the consumer entered the transaction; or
 - (b) reasonable assumptions made by relying on secondary records which include information that demonstrates the disclosure, marketing and communication standards applied by the lender or the credit broker at the relevant time, together with evidence that compliance with those standards was monitored and enforced.

- (6) If the records in (5)(a) and (b) are not available, the lender may rely on reasonable assumptions made by relying on secondary records relating to a comparable credit broker.
- (7) A lender may only rely on secondary records if it can demonstrate that it is has taken reasonable steps to verify that the record relied on relates to a period of time that is contemporaneous with the time the consumer entered into their motor finance agreement.
- (8) For the purposes of this *rule*, a credit broker (A) will only be comparable to the credit broker in the scheme case (B) where the lender has reasonable grounds to believe that at the relevant time A was, in carrying on its business, subject to:
 - (a) the same or closely analogous terms of engagement or business with the lender and the vehicle manufacturer as B; and
 - (b) the same or closely analogous disclosure, marketing and communication standards as B.

Insufficient information: obtaining relevant records and information

5.2.23 G In relation to a motor finance agreement that ended on or after:

- (1) 11 January 2018 (and was entered into before 28 January 2021), lenders and credit brokers are expected to have retained records which confirm whether the agreement contained a discretionary commission arrangement pursuant to the record retention rule in *DISP* App 5.3.1R; and
- (2) 20 December 2018, lenders and credit brokers are expected to have retained records which confirm whether the agreement contained all other relevant arrangements pursuant to the record retention rule in *DISP* App 5.3.1AR.

5.2.24 R (1) Subject to (2), to identify whether a particular motor finance agreement is a scheme case or any relevant arrangements are present in respect of a scheme case, in accordance with *CONRED* 5.2.9R(2)(a) and (c) or *CONRED* 5.2.11R(2)(a) and (b), the lender must:

- (a) first consider the primary records of the type set out in *CONRED* 5 Annex 1.1G(1) and (2); and
- (b) where appropriate, consider whether reasonable assumptions can be made by relying on the secondary records.

(2) *CONRED* 5.2.22R applies for the purposes of identifying whether a tied arrangement is not a relevant arrangement because the exception for captive and white label relationships in *CONRED* 5.2.19R(4) applies.

- (3) A lender may only rely on secondary records if it can demonstrate that it has taken reasonable steps to verify that the secondary record to be relied on relates to a period of time that is contemporaneous with the time the consumer entered into their motor finance agreement.

Requirement to contact credit brokers

- 5.2.25 R A lender, in circumstances where it does not have the records necessary to identify the matters set out in *CONRED* 5.2.9R(2)(a) and (c) or *CONRED* 5.2.11R(2)(a) and (b), must request relevant records and information from the relevant credit broker.
- 5.2.26 G When making the request of the credit broker in *CONRED* 5.2.25R, the lender may also request the relevant records and information necessary to conduct the unfair relationship assessment in accordance with *CONRED* 5.3.1R and the redress calculations in accordance with *CONRED* 5.4.
- 5.2.27 R If a credit broker either does not respond to the request for information in *CONRED* 5.2.25R within 1 *month* or the credit broker only partially responds, the lender must send a further communication in a durable medium as soon as practicable, providing a further 14 *days* from the day of that communication for the credit broker to respond.
- 5.2.28 R A credit broker, where it receives a request for information from a lender under *CONRED* 5.2.25R and *CONRED* 5.2.27R, must conduct a thorough search of its systems and respond to that request within the prescribed deadlines by either:
 - (1) providing the requested information in the format requested or, if that is not reasonably practicable, a reasonable format; or
 - (2) confirming that it does not hold the requested information.

Insufficient information: making a provisional redress decision

- 5.2.29 R A lender may conclude that there is insufficient evidence to make the determinations in *CONRED* 5.2.9R(2)(a) and (c) or *CONRED* 5.2.11R(2)(a) and (b) where, in respect of a determination, it has:
 - (1) complied with the *rules* and *guidance* in *CONRED* 5.2.13R, *CONRED* 5.2.23G and *CONRED* 5.2.24R;
 - (2) taken the steps set out in *CONRED* 5.2.25R to *CONRED* 5.2.27R; and
 - (3) failed to receive from a credit broker the necessary evidence to establish whether each of those conditions have been met.
- 5.2.30 R In relation to the determinations in *CONRED* 5.2.9R(2)(a) and (c), where a lender draws a conclusion referred to in *CONRED* 5.2.29R, the lender must:

- (1) send a provisional redress decision in a durable medium containing the information set out in *CONRED* 5 Annex 9.1R to inform the consumer of the following:
 - (a) its conclusion;
 - (b) the reasons for its conclusion; and
 - (c) on that basis, that there will be no redress payable under the scheme; and
- (2) give the consumer at least 1 *month* to respond to that provisional redress decision and provide any relevant records and information.

5.2.31 R Where the evidence being relied on by the lender is of equal relevance to any evidence provided by consumer, including in relevant records and information provided in accordance with *CONRED* 5.2.30R(2), and where there is a conflict in the content of that evidence, the lender must resolve the conflict in favour of the consumer unless the lender can demonstrate a clear basis for not doing so.

5.3 Third step: assessing scheme cases under unfair relationship provisions

- 5.3.1 R For each relevant arrangement that the lender determines is present in respect of a scheme case, the lender must determine whether it is more likely than not that:
- (1) there is or was an unfair relationship under the unfair relationship provisions arising out of a failure to provide adequate disclosure of one or more of the relevant arrangements (stage 1); and
 - (2) the consumer suffered loss or damage as a result (stage 2).

Relevant records and information at assessment stage

- 5.3.2 R Before undertaking the stage 1 assessment, the lender must identify whether:
- (1) any more relevant arrangements are present in respect of the scheme case; and
 - (2) it has the necessary records and information to determine whether there was an unfair relationship that caused loss or damage to the consumer in accordance with the rules in this section (i.e. the third step).
- 5.3.3 R (1) To identify whether any of the relevant arrangements are present in accordance with *CONRED* 5.3.2R(1), the lender must apply the *rules* and *guidance* in *CONRED* 5.2.19R to *CONRED* 5.2.24R in so far as those *rules* relate to identifying whether a relevant arrangement is present in a scheme case.
- (2) To identify whether the lender has the necessary records and information to make the determination required under the third step in accordance with *CONRED* 5.3.2R(2) the lender must consider in particular the types

of records set out in *CONRED* 5.3.12R (approach to evidence when assessing the adequacy of disclosure).

Requirement to contact credit brokers

- 5.3.4 R If a lender does not have the records necessary to make the determination required under the third step, it must request relevant records and information from the credit broker.
- 5.3.5 R If a credit broker does not respond to the request in *CONRED* 5.3.4R within 1 *month*, or only sends a partial response, the lender must send a further communication in a durable medium as soon as practicable, providing a further 14 *days* for the credit broker to respond.
- 5.3.6 R If a credit broker receives a request for information from a lender under *CONRED* 5.3.4R or *CONRED* 5.3.5R, it must conduct a thorough search of its systems and respond to that request within 1 *month* by either:
- (1) providing the requested information in the format requested or, if that is not reasonably practicable, a reasonable format; or
 - (2) confirming that it does not hold the requested information.
- 5.3.7 R If a lender has taken the steps set out in *CONRED* 5.3.2R to *CONRED* 5.3.5R but does not have sufficient information to identify whether a particular relevant arrangement is present in respect of a scheme case, the lender may undertake the unfair relationship assessment required under this section on the basis that the relevant arrangement is not present.

Stage 1: the unfair relationship assessment

- 5.3.8 R The lender must presume that there was an unfair relationship in respect of a scheme case if:
- (1) one or more of the relevant arrangements are present; and
 - (2) there was a failure to provide adequate disclosure to the consumer of any of those arrangements that were present.

Stage 1: the unfair relationship assessment – assessing the adequacy of disclosure

- 5.3.9 R To assess whether there was a failure to provide adequate disclosure for the purposes of *CONRED* 5.3.8R(2), the firm must apply:
- (1) the *rules* on assessing adequate disclosure in *CONRED* 5.3.10R and *CONRED* 5.3.12R; and
 - (2) section 56 of the *CCA* (see *CONRED* 5.3.13G).
- 5.3.10 R (1) There will not have been adequate disclosure of a relevant arrangement unless the following information (the ‘disclosure information’) was

clearly and prominently provided to the consumer before the consumer entered into the motor finance agreement:

- (a) in relation to a discretionary commission arrangement – the fact that commission was payable to the credit broker in respect of the consumer’s agreement and sufficient information about the discretionary commission arrangement for the consumer to understand that the credit broker was permitted to select the interest rate provided for under the motor finance agreement in a way that affected the amount of commission that would be received by the credit broker;
 - (b) in relation to a high commission arrangement – the fact and amount of the commission payable to the credit broker in respect of the consumer’s agreement, either by the disclosure of the amount of commission in monetary terms or by the disclosure of the method by which the commission amount would be calculated such that the consumer was able to understand its size;
 - (c) in relation to a tied arrangement – the fact of the tied arrangement and sufficient information about the arrangement for the consumer to understand that the credit broker would introduce consumers exclusively to the lender or give the lender the option to provide an offer of credit to the consumer before the credit broker approached any other lender (as relevant).
- (2) The disclosure information will not have been clearly and prominently provided unless it was presented, in relation to the other information provided at the same time, in such a way that it (subject to (3) and (4)) was likely to have drawn the attention of the average customer to whom it was directed.
- (3) The lender may base its assessment of whether there was adequate disclosure for the purposes of (1) on whether the disclosure was likely to have been adequate for the average consumer to whom the relevant communication was directed unless there is evidence in the records relating to the scheme case that:
- (a) the consumer had characteristics which would have impaired the consumer’s ability to meaningfully understand the information; and
 - (b) those characteristics would at the time have been apparent to the person making the communication.
- (4) Where the circumstances in (3)(a) and (b) apply, the lender should further consider whether any additional information, further explanation or a different communication channel would have been required to meet the information needs of that consumer for the disclosure to have been adequate.

Stage 1: the unfair relationship assessment - guidance on clear and prominent disclosure

- 5.3.11 G (1) Examples that would tend to indicate that the disclosure information in *CONRED* 5.3.10R(1) is likely to have been presented clearly and prominently for the purposes of *CONRED* 5.3.10R(2) include the following (subject to *CONRED* 5.3.10R(3) to (4)):
- (a) there is evidence that an oral communication was used to draw the consumer's attention to the information in written form;
 - (b) that information was presented as a key term or item of information at the top of a key document, or presented as such in a separate short summary document;
 - (c) that information was specifically drawn to the consumer's attention by bold text or similar visual means; or
 - (d) the consumer was asked to specifically acknowledge that they had been given that information (for example, by signing a declaration to that effect).
- (2) Examples that would tend to indicate that the disclosure information in *CONRED* 5.3.10R(1) is unlikely to have been presented clearly and prominently for the purposes of *CONRED* 5.3.10R(2) include where its importance was obscured or diminished by:
- (a) being surrounded by a significant volume of other terms or information, with no particular attention drawn to it; or
 - (b) the use of small font sizes.

Stage 1: the unfair relationship assessment – approach to evidence when assessing the adequacy of disclosure

- 5.3.12 R (1) This *rule* sets out the lender's approach to evidence when assessing whether there was adequate disclosure of the disclosure information.
- (2) The lender must presume that there was no adequate disclosure unless one of the conditions in (3) or (4) is met.
- (3) The first condition referred to in (2) is that:
- (a) one (or more) of the primary records of the type listed in *CONRED* 5 Annex 1.1G(3) contains the disclosure information; and
 - (b) either:
 - (i) there is evidence that the disclosure information contained in that record (or records) was provided to the

consumer prior to the consumer entering into the motor finance agreement; or

- (ii) the lender has reasonable grounds to believe that the consumer was made aware of the disclosure information contained in that record (or records) prior to that consumer entering into the motor finance agreement.
- (4) The second condition referred to in (2) is that there are relevant secondary records which demonstrate that the disclosure information was more likely than not provided to the consumer before the consumer entered into the motor finance agreement.
- (5) For the purposes of this *rule*, ‘relevant secondary record’ means:
 - (a) records (of the type described in *CONRED 5* Annex 1.1G(4) (such as template disclosure materials or other records)) which clearly set out the policy of the lender or the credit broker to include information that would constitute adequate disclosure in the information provided to consumers at the relevant time; or
 - (b) contemporaneous records of the type described in *CONRED 5* Annex 1.1G(3) relating to other consumers who were in a sufficiently similar position as the consumer in the scheme case, and which include information that demonstrates the standard disclosure practice of the lender or the credit broker at the relevant time.
- (6) A lender may only rely on a relevant secondary record if it can demonstrate that it has taken reasonable steps to verify that the record relates to a period of time that is contemporaneous with the time the consumer entered into their motor finance agreement.

Stage 1: the unfair relationship assessment – guidance on applying section 56 of the Consumer Credit Act when assessing the adequacy of disclosure

- 5.3.13 G The effect of section 56(2) of the *CCA* is that the acts and omissions of a credit broker when conducting ‘antecedent negotiations’ with the consumer are attributable to the lender for the purposes of the assessment of whether a credit relationship is unfair under section 140A of the *CCA*. As a result, where section 56 of the *CCA* applies in the context of a scheme case, the lender must also consider any acts or omissions by the credit broker in conducting those negotiations.

Stage 1: the unfair relationship assessment – rebutting a presumption of unfairness

- 5.3.14 R (1) A presumption of an unfair relationship arising out of a failure to provide adequate disclosure of a relevant arrangement is rebuttable by the lender where it can be demonstrated on the basis of evidence that it is more likely than not that the particular consumer could reasonably be

expected to have known about or foreseen the disclosure information about the relevant arrangement because of:

- (a) their level of specific knowledge or experience (for example, from working in a relevant role within a vehicle dealership or the motor finance industry); or
- (b) prior transactions with the lender or credit broker involving adequate disclosure of the relevant arrangements.

- (2) A presumption of an unfair relationship arising out of a failure to provide adequate disclosure of a tied arrangement is rebuttable by the lender where it can be demonstrated on the basis of evidence that it is more likely than not that the constraints imposed by the tied arrangement in the scheme case did not impact on the credit broker's decision to introduce the consumer to the lender because, at the relevant time:

- (a) the lender had expressly, or by implication through the course of dealing between the parties, agreed to forgo any reliance on the tied arrangement; or
- (b) the broker had a policy or practice of disregarding the tied arrangement when introducing consumers to lenders.

5.3.15 R Where there is a presumption of an unfair relationship arising out of a failure to provide adequate disclosure of more than one of the relevant arrangements, the presumption may only be rebutted if a condition for rebuttal applies in relation to each of those failures.

5.3.16 R Reliance on the rebuttal in *CONRED* 5.3.14R(2) must be supported by:

- (1) evidence which demonstrates that, at the relevant time, the credit broker was introducing consumers to lenders in a way that was incompatible with a scenario in which the tied arrangement had an impact on the decision making of the credit broker (see *CONRED* 5.3.17R); and
- (2) verification of the reliance on that evidence in accordance with *CONRED* 5.3.18R.

5.3.17 R (1) The following evidence is likely to be required to support reliance on the rebuttal in *CONRED* 5.3.14R(2):

- (a) relevant transactional data; and
- (b) supporting evidence.

- (2) The relevant transactional data referred to in (1)(a) is data relating to the financial year quarter or calendar year quarter in which the relevant motor finance agreement was entered into, and which sets out:

- (a) the distribution (by number or value) of the initial introductions made to each lender to which the credit broker made introductions; or
 - (b) where the data in (2)(a) is not available, the distribution (by number or value) of the credit agreements entered into by each lender as a result of introductions made by the credit broker.
- (3) The following are examples of supporting evidence for the purposes of (1)(b):
 - (a) contemporaneous records of:
 - (i) internal policies, procedures or other documents which set out the credit broker's approach to the introduction of consumers to lenders at the relevant time;
 - (ii) the lender's monitoring of its arrangements with the credit broker which demonstrate that the lender was not receiving a volume of introductions consistent with that which the lender would have reasonably expected under the terms of the tied arrangement with the credit broker;
 - (iii) agreements or communications which demonstrate that the lender had agreed to forgo any reliance on the tied arrangement;
 - (iv) tied arrangements (to which the credit broker was a party) other than the tied arrangement with the lender at the relevant time;
 - (b) a statement from an individual of appropriate seniority in the credit broker:
 - (i) explaining the credit broker's approach to the introduction of consumers to lenders at the relevant time; and
 - (ii) attesting that the tied arrangement did not impact on the decision making of the credit broker when introducing the consumer to the lender.
- (4) For the purposes of this *rule*:
 - (a) an 'initial introduction' is an introduction made by a credit broker to a lender, including where the consumer did not subsequently enter into a credit agreement with the lender following that introduction (for example, because the lender refused to offer credit to the consumer); and

- (b) 'value' means the amount of credit made available by the lender to consumers under motor finance agreements.

Verification of evidence supporting the rebuttal in CONRED 5.3.14R(2)

- 5.3.18 R (1) In addition to the evidence of the type described in *CONRED* 5.3.17R, the lender must obtain a report from:
- (a) the individual who has responsibility for the management of the internal audit function of the firm; or
 - (b) an independent auditor.
- (2) The report must include:
- (a) an explanation of the evidence being relied upon by the firm to demonstrate the rebuttal;
 - (b) a statement of the role and responsibilities of the person providing the report; and
 - (c) an attestation from that person confirming that they have:
 - (i) reviewed and assessed the evidence relied on by the firm to demonstrate the rebuttal; and
 - (ii) concluded that the evidence demonstrates that the conditions for relying on the rebuttal are met.
- (3) A report produced pursuant to this rule may apply to a group of scheme cases provided the requirements of this rule are satisfied in respect of each scheme case to which the report relates.

- 5.3.19 R If the presumption in *CONRED* 5.3.8R applies and is not rebutted in accordance with *CONRED* 5.3.14R, the lender must determine that there was an unfair relationship.

Stage 1: the unfair relationship assessment – next steps

- 5.3.20 R (1) If the lender determines that there was an unfair relationship in accordance with *CONRED* 5.3.19R, the lender must proceed to *CONRED* 5.3.21R (Stage 2: loss or damage assessment – presumption of loss or damage).
- (2) If the lender determines there was not an unfair relationship because there was adequate disclosure or the presumption of an unfair relationship was rebutted, the lender must:
- (a) inform the consumer of that determination and the reasons for it in a provisional redress decision that:

- (i) contains the information set out in *CONRED 5 Annex 2*; and
- (ii) is sent in a durable medium; and
- (b) provide the consumer with 1 *month* to respond.

Stage 2: loss or damage assessment – presumption of loss or damage

- 5.3.21 R If the lender determines there was an unfair relationship in respect of a scheme case, the lender must presume that the unfair relationship caused the consumer loss or damage.

Stage 2: loss or damage assessment – rebuttal of presumption of loss or damage

- 5.3.22 R (1) The presumption of loss or damage in *CONRED 5.3.21R* is rebuttable by the lender if it can demonstrate on the basis of evidence that it is more likely than not that the consumer would not, in relation to the same transaction, have been able to obtain a lower annual percentage rate from another lender with which the credit broker had a referral arrangement, at the relevant time.
- (2) The rebuttal in this rule only applies where, at the relevant time:
- (a) the credit broker had referral arrangements with one or more lender, other than the lender in the scheme case (for example, where the credit broker had access to a ‘panel’ of other lenders as an alternative to the right of first refusal arrangement it had with the lender); and
 - (b) those lenders offered motor finance agreements that would have been available to, and suitable for the needs of, the consumer in the scheme case (considering the consumer’s credit profile and the characteristics of the credit product sought).
- (3) Reliance on the rebuttal in this rule must be supported by evidence which demonstrates:
- (a) the alternative annual percentage rates that would, at the relevant time, have been available to the consumer from each lender with which the credit broker had referral arrangements; or
 - (b) that the credit broker’s internal processes at the relevant time involved carrying out checks which ensured that the consumer could not have received a lower annual percentage rate from any other lender with which the credit broker had a referral arrangement.
- (4) The rebuttal in this *rule* cannot be relied upon in scheme cases where the lender has determined that there was an unfair relationship arising out of a discretionary commission arrangement.

- (5) For the purposes of this *rule*, and *CONRED* 5.3.23R, ‘referral arrangement’ means an arrangement between a lender and a credit broker relating to the introduction of consumers wishing to enter into motor finance agreements with that lender.

5.3.23 R (1) The following evidence is likely to be required to demonstrate *CONRED* 5.3.22R(3)(a):

- (a) contemporaneous broker platform screenshots or other records showing the application of the consumer in the scheme case and the range of rates that were available to that consumer;
- (b) contemporaneous communications (for example, emails or system notes) confirming the annual percentage rates considered by the credit broker in respect of the consumer in the scheme case; or
- (c) a combination of the following:
 - (i) contemporaneous records that:
 - (A) show the annual percentage rates available from the lenders with which the credit broker had arrangements at the relevant time; and
 - (B) provide sufficient information, taking into account different credit profiles, credit amounts and product types, to allow the available rates to be matched to the consumer in the scheme case; and
 - (ii) sufficient transaction data:
 - (A) to demonstrate the annual percentage rates that were provided to consumers in a sufficiently similar position to the consumer in the scheme case (ie, consumers with a similar credit profile, credit amount and product type) by those lenders; and
 - (B) from which reasonable assumptions about the rates available to the consumer in the scheme case can be made.

(2) The following evidence is likely to be required to demonstrate *CONRED* 5.3.22R(3)(b):

- (a) contemporaneous records of the credit broker’s internal systems, controls, processes, policies, procedures or other documents which set out the credit broker’s approach to the introduction of consumers to lenders at the relevant time; and

- (b) a statement from an individual of appropriate seniority in the credit broker attesting that:
 - (i) the records referred to in (a) accurately reflect the credit broker's internal processes the relevant time; and
 - (ii) those processes ensured that the consumer could not have obtained a lower annual percentage rate from another lender with which the credit broker had referral arrangements at the relevant time.
- 5.3.24 R If the lender has determined that there was an unfair relationship arising out of a failure to provide adequate disclosure of more than one of the relevant arrangements, the presumption of loss or damage may only be rebutted if the condition for rebuttal applies in relation to each of those failures.
- 5.3.25 R If the presumption of loss and damage is not rebutted, the lender must determine that the unfair relationship caused the consumer loss or damage.

Stage 2: loss or damage assessment – next steps

- 5.3.26 R
 - (1) If the lender determines that the unfair relationship caused loss or damage to the consumer, the lender must proceed to the fourth step in *CONRED* 5.4.
 - (2) If the lender determines that the unfair relationship did not cause loss or damage to the consumer (because the presumption was rebutted in accordance with *CONRED* 5.3.22R), the lender must:
 - (a) inform the consumer of that determination and the reasons for it in a provisional redress decision sent in a durable medium that contains the information set out in *CONRED* 5 Annex 2; and
 - (b) provide the consumer with 1 *month* to respond.

Responses to third step provisional redress decisions: lender obligations

- 5.3.27 R
 - (1) This rule applies where a lender has sent a provisional redress decision under:
 - (a) *CONRED* 5.3.20R(2); or
 - (b) *CONRED* 5.3.26R(2).
 - (2) If the consumer responds to the provisional redress decision within 1 *month* stating that they do not wish to have their case considered under this scheme, the lender must, within a 7-day period beginning on the day the response is received, send the consumer a communication to:
 - (a) acknowledge the response; and

- (b) explain that the *complaint* will not be dealt with any further.
- (3) If the consumer responds to the provisional redress decision within 1 *month* stating that they accept the decision, the lender must, within a 7-*day* period beginning on the day the response is received, send the consumer a communication acknowledging the acceptance.
- (4) If a consumer responds to the provisional redress decisions within 1 *month* objecting to the decision, the lender must:
 - (a) send an acknowledgment containing the information set out in *CONRED 5 Annex 10.1R* within 7 *days*, requiring the consumer to provide further details of the objection, including any evidence supporting the objection, within 1 *month* of the date of the acknowledgement;
 - (b) decide whether it should proceed to stage 2 of the third step in respect of cases relating to (1)(a) and the fourth step in respect of cases relating to (1)(b) on the basis of the objection, including any representations and any supporting evidence from the consumer; and
 - (c) undertake one of the actions set out in (5) within 2 *months* of:
 - (i) the *day* it receives the further details of the objection; or
 - (ii) where the lender receives no further details within 1 *month* of the date of the acknowledgement in accordance with (a), the date of the expiry of that 1 *month* period.
- (5) The actions in (4)(c) are:
 - (a) send a *redress determination* confirming the provisional redress decision and containing the information in *CONRED 5 Annex 3*; or
 - (b) complete the remaining steps under this chapter necessary to provide the consumer with their next provisional redress decision or *redress determination*.
- (6) Where the lender accepts the consumer's objection, provided in accordance with (4), it must proceed to the next stage or step.
- (7) Where the consumer does not respond to the provisional redress decision referred to in (1) within 1 *month*, the lender must send a *redress determination* confirming the provisional redress decision in the form set out in *CONRED 5 Annex 3* within 1 *month* of the expiry of that period.

- (8) Any communication sent by a lender under this *rule* must be sent in a durable medium.

5.4 Fourth and fifth steps: calculating and paying redress

Fourth step: calculating redress

- 5.4.1 G (1) Where a lender has determined that, in relation to a scheme case, there was an unfair relationship under *CONRED* 5.3 and the consumer has suffered loss or damage as a result, the lender must calculate the amount of redress payable in accordance with *CONRED* 5.4.3R to *CONRED* 5.4.35R.
- (2) Where there was a failure to provide adequate disclosure of a high commission arrangement together with a tied arrangement or a discretionary commission arrangement or both, the lender must determine whether there was a very high commission arrangement, and, if so, calculate redress in accordance with the commission repayment remedy (*CONRED* 5.4.4R).
- (3) In all other cases, except where *CONRED* 5.4.6R applies, the lender must calculate redress in accordance with the hybrid remedy *CONRED* 5.4.15R to 5.4.16R and calculate and, where required, apply the caps in *CONRED* 5.4.19R to 5.4.21R.
- (4) *CONRED* 5.4.6R applies to a scheme case under the hybrid remedy, where the consumer paid a minimal cost of credit, offered to 5% of the market at the time (excluding 0% APR agreements). In such cases, no redress is payable.
- 5.4.2 R All references to redress or redress amount in this section include compensatory interest, calculated in accordance with *CONRED* 5.4.34R.

The commission repayment remedy

- 5.4.3 R (1) The commission repayment remedy applies where the lender has determined in accordance with *CONRED* 5.3 that there was an unfair relationship causing loss or damage arising from a failure to provide adequate disclosure of;
- (a) a high commission arrangement that was also a very high commission arrangement; and
- (b) either or both of:
- (i) a tied arrangement;
- (ii) a discretionary commission arrangement.
- (2) The lender must calculate the commission repayment remedy in accordance with *CONRED* 5.4.4R.

- 5.4.4 R (1) The amount of redress payable to the consumer under the commission repayment remedy is the sum of A and B where:
- (a) 'A' is the total amount of commission payable; and
 - (b) 'B' is compensatory interest on that amount, calculated using the approach in *CONRED* 5.4.34R, applied from the date the consumer entered into the motor finance agreement until the date of redress payment.
- (2) For the purpose of calculating compensatory interest for the provisional redress decision and the *redress determination*, the 'date of redress payment' is the date the relevant communication is sent.

The hybrid remedy and applicable caps

- 5.4.5 R (1) The hybrid remedy applies in all scheme cases where the lender has determined in accordance with *CONRED* 5.3 that there was an unfair relationship causing loss or damage, other than where the commission repayment remedy applies (*CONRED* 5.4.3R).
- (2) Except where *CONRED* 5.4.6 applies, for each scheme case, the lender must:
- (a) calculate the commission repayment remedy in accordance with *CONRED* 5.4.4R;
 - (b) calculate the total APR adjustment in accordance with *CONRED* 5.4.8R to *CONRED* 5.4.14R;
 - (c) apply the amounts calculated under (a) and (b) to the hybrid formula in accordance with *CONRED* 5.4.16R;
 - (d) calculate the adjusted commission plus interest cap, the adjusted realised cost of credit cap, and, where applicable, the total realised cost of credit cap in accordance with *CONRED* 5.4.19R to *CONRED* 5.4.21R; and
 - (e) apply the caps where necessary to determine the amount of redress payable to the consumer under the hybrid remedy in accordance with *CONRED* 5.4.22R.

No redress for hybrid cases with minimal cost of credit

- 5.4.6 R (1) Where the annual percentage rate of charge paid by the consumer is less than or equal to the 5th percentile annual percentage rate of charge for the year in which the motor finance agreement was executed, as set out in the table in *CONRED* 5.4.7R, the lender must assess the amount of redress payable to the consumer as £0.
- (2) Where (1) applies, the lender must:

- (a) inform the consumer of the assessment in (1) and reasons for it in a provisional redress decision in a durable medium that contains the information in *CONRED* 5 Annex 2;
- (b) provide the consumer with 1 *month* to respond to the communication in (a); and
- (c) consider any response to the provisional redress decision in accordance with *CONRED* 5.4.37R.

5.4.7 R Table: Minimal cost of credit by year for the purpose of *CONRED* 5.4.6R, *CONRED* 5.4.20R and *CONRED* 5.4.23R(8)

Year	5th percentile APR (excluding 0% APR agreements)
2014	4.20
2015	4.26
2016	2.90
2017	3.20
2018	2.92
2019	3.90
2020	3.90
2021	3.10
2022	3.90
2023	4.91
2024	3.90

The total APR adjustment

5.4.8 R The lender must follow the stages in *CONRED* 5.4.9R to *CONRED* 5.4.14R to calculate the total APR adjustment.

5.4.9 R (1) Stage 1: the lender must first determine the market adjusted APR for the motor finance agreement.

- (2) The market adjusted APR is the annual percentage rate of charge paid by the consumer under the motor finance agreement with the lender multiplied by 0.83.
- (3) Where the motor finance agreement includes a discretionary commission arrangement and the lowest rate of interest in the range of interest rates that could have been selected by the credit broker is higher than the figure calculated in (2), the lowest rate of interest should be used instead of the market adjusted APR.

- 5.4.10 R
- (1) Stage 2: the lender must create a schedule of the consumer's payments under the motor finance agreement.
 - (2) Where all actual payment dates and payment amounts are available and the consumer made early settlement payment(s) or partial early settlement payment(s) the lender must recreate the schedule of actual payments, using the annual percentage rate of charge under the motor finance agreement ('option 1').
 - (3) Where option 1 does not apply, the lender must create a schedule using the payment dates and payment amounts contractually agreed under the terms of the motor finance agreement ('option 2') where this is possible.
 - (4) Where option 1 does not apply and it is not possible to create a schedule under option 2, the lender must create an equivalent schedule by applying the amortisation formula at (5), using the annual percentage rate of charge under the motor finance agreement, and assume, when applying this formula, that the motor finance agreement ran for the agreed term and the lender and consumer fulfilled their obligations under the terms of that agreement ('option 3').

- (5) The amortisation formula is:

$$M = (P \times r) / (1 - (1 + r)^{-n})$$

where:

- (a) M = monthly payment;
 - (b) P = principal (amount borrowed);
 - (c) r = monthly interest rate (which is the annual percentage rate of charge paid by the consumer under the motor finance agreement divided by 12); and
 - (d) n = total number of monthly payments (term in months).
- (6) Where in (3) and (4) (options 2 and 3) there is information to suggest that the consumer made early settlement payment(s) under the motor finance agreement, the lender must calculate these using the formula in regulation 4 of the Consumer Credit (Early Settlement) Regulations

2004 and replace any monthly payments with the early settlement payment(s).

- 5.4.11 R (1) Stage 3: the lender must create a schedule of the consumer's market adjusted payments.
- (2) Where *CONRED* 5.4.10R(2) or (3) apply (options 1 or 2), the lender must calculate all market adjusted payments, including any early settlement payments, by substituting the annual percentage rate of charge under the motor finance agreement with the market adjusted APR calculated in accordance with *CONRED* 5.4.9R.
- (3) Where *CONRED* 5.4.10R(4) applies (option 3), the lender must calculate all market adjusted payments using the amortisation formula in *CONRED* 5.4.10R(5), where r equals the market adjusted APR calculated in *CONRED* 5.4.9R, divided by 12. The lender must also calculate any early settlement payment(s) by substituting the annual percentage rate of charge with the market adjusted APR.
- 5.4.12 R (1) Stage 4: the lender must create a schedule of payment differentials using the formula:
- $$A - B$$
- where:
- (a) 'A' is the consumer's payments under the motor finance agreement calculated in accordance with *CONRED* 5.4.10R; and
- (b) 'B' is the corresponding market adjusted payments calculated in accordance with *CONRED* 5.4.11R.
- (2) Where option 1 in *CONRED* 5.4.10R(2) applies and the formula at (1) would produce a negative figure, the lender must adopt the actual payment made under the motor finance agreement as the market adjusted payment and set the payment differential to £0 in the schedule.
- 5.4.13 R (1) Stage 5: the lender must calculate the amount of compensatory interest payable on the payment differentials set out in the schedule created under *CONRED* 5.4.12R.
- (2) Compensatory interest payments are calculated in accordance with *CONRED* 5.4.34R.
- (3) For the purpose of calculating compensatory interest for the provisional redress decision and *redress determination*, the 'date of redress payment' is the date the relevant communication is sent.
- 5.4.14 R Stage 6: the lender must calculate the total APR adjustment, which is the sum of:

- (1) all payment differentials in the schedule created in accordance with *CONRED* 5.4.12R; and
- (2) all compensatory interest payments on those payment differentials calculated in accordance with *CONRED* 5.4.13R.

The hybrid formula

5.4.15 R The lender must calculate the amount of redress using the formula in *CONRED* 5.4.16R.

5.4.16 R The hybrid formula is:

$$(C + D) / 2$$

where:

- (1) 'C' is the amount calculated in accordance with *CONRED* 5.4.4R (the commission repayment remedy).
- (2) 'D' is the amount calculated in accordance with *CONRED* 5.4.14R (the total APR adjustment).

Caps applying to the hybrid remedy

5.4.17 G Where the amount of redress calculated using the hybrid formula exceeds the value of any of the caps calculated in *CONRED* 5.4.19R to *CONRED* 5.4.21R, the amount of redress payable is the lowest amount calculated under any of these caps.

5.4.18 R The lender must calculate each of the caps in accordance with *CONRED* 5.4.19R and *CONRED* 5.4.20R, and, where applicable, *CONRED* 5.4.21R.

5.4.19 R The lender must calculate the adjusted commission plus interest cap by multiplying the amount calculated in accordance with *CONRED* 5.4.4R (the commission repayment remedy) by 0.9.

5.4.20 R The lender must calculate the adjusted realised cost of credit cap in accordance with the stages set out in (1) to (5):

- (1) Stage 1 – adopt the schedule of the consumer's payments under the motor finance agreement created in *CONRED* 5.4.10R.
- (2) Stage 2 – create a separate '5th percentile' schedule by:
 - (a) substituting the annual percentage rate of charge in the consumer's payment schedule (stage 1) with the 5th percentile annual rate of charge set out in the table at *CONRED* 5.4.7R for the year in which the motor finance agreement was executed; and

- (b) recalculating each payment made under the agreement using that rate.
 - (3) Stage 3 – create a schedule of payment differentials using the formula:

$$A - E$$
 where:
 - (a) ‘A’ is the consumer’s payments under the motor finance agreement (stage 1); and
 - (b) ‘E’ is the corresponding 5th percentile annual rate of charge payments calculated at stage 2.
 - (4) Stage 4 – calculate compensatory interest on the payment differentials in the schedule created at stage 3 in accordance with *CONRED* 5.4.34R(2)(b) and (3) to (5).
 - (5) Stage 5 – calculate the adjusted realised cost of credit cap, which is the sum of all payment differentials calculated at stage 3 and all compensatory interest payments on those payment differentials calculated at stage 4.
- 5.4.21 R (1) Where the lender can identify the total value of all payments made by the consumer under the motor finance agreement, the lender must also calculate the total realised cost of credit cap.
- (2) The total realised cost of credit cap is the sum of A and B, where:
- (a) ‘A’ is the total value of all actual payments made by the consumer under the motor finance agreement minus the total amount of credit; and
 - (b) ‘B’ is compensatory interest on that amount calculated using the interest rate formula in *CONRED* 5.4.34R(2)(a) and (3) to (5), applied from the date the consumer entered into the motor finance agreement until the date of the redress payment.

Final redress calculation where the hybrid remedy applies

- 5.4.22 R Redress payable to the consumer under the hybrid remedy is:
- (1) the amount calculated under the hybrid formula in *CONRED* 5.4.16R; or
 - (2) where the amount at (1) exceeds the value of any of the caps calculated in *CONRED* 5.4.19R to *CONRED* 5.4.21R, the lowest amount calculated under any of these caps.

Calculating redress in scheme cases involving more than one motor finance agreement

- 5.4.23 R (1) This *rule* applies where, in a scheme case, a single motor vehicle sales transaction was financed by more than one motor finance agreement.
- (2) The lender must calculate the total amount of commission and assess whether the definition of a very high commission arrangement is met in accordance with *CONRED* 5.1.5R(4)(a) and (4)(b).
- (3) The commission repayment remedy applies where the lender has determined that, in relation to the scheme case, there was an unfair relationship causing loss or damage arising from a failure to provide adequate disclosure of:
- (a) a high commission arrangement that was also a very high commission arrangement, assessed in accordance with (2); and
 - (b) either or both of:
 - (i) a tied arrangement;
 - (ii) a discretionary commission arrangement.
- (4) (a) Where (3) applies, the lender must calculate the commission repayment remedy in accordance with *CONRED* 5.4.4R for each motor finance agreement.
- (b) The total redress is the sum of the amounts calculated in (a).
- (5) In all other cases, the hybrid remedy applies, and the lender must calculate:
- (a) (i) the commission repayment remedy in accordance with (4) and the total APR adjustment in accordance with *CONRED* 5.4.9R to *CONRED* 5.4.14R, for each motor finance agreement; and
 - (ii) redress under the hybrid remedy, by applying the amounts in (i) to the hybrid formula in *CONRED* 5.4.16R for each motor finance agreement and then calculating the sum of these amounts;
 - (b) the adjusted commission plus interest cap in accordance with *CONRED* 5.4.19R, for each motor finance agreement and then the sum of these amounts;
 - (c) the adjusted realised cost of credit cap in accordance with *CONRED* 5.4.20R for each motor finance agreement and then the sum of these amounts;
 - (d) the total realised cost of credit cap in accordance with *CONRED* 5.4.21R, where this can be calculated for all motor finance agreements, and then the sum of these amounts.

- (6) The total redress payable is the lowest amount calculated under (5)(a)(ii) to (d).
- (7) When calculating the commission repayment remedy in (4) and the adjusted commission plus interest cap in (5)(b), where the total amount of commission payable in relation to any agreement involved in the transaction is not known, the lender must divide the total amount of commission calculated in accordance with (2) by the number of agreements involved in the transaction, and then apportion these equal amounts to each motor finance agreement involved in the transaction.
- (8) Where the hybrid remedy applies to a scheme case and the annual percentage rate of charge under an agreement involved in the transaction is less than or equal to the minimal annual percentage rate of charge set out in the table at *CONRED* 5.4.7R, the lender must assess the amount of redress for that agreement as £0 and include this in the sum in (5)(a)(ii).

Redress set-off against undisputed arrears and defaults

- 5.4.24 R (1) The lender may set-off redress against any undisputed arrears or default sums owed by the consumer to the lender in relation to the motor finance agreement where:
 - (a) an offer is made to the consumer in accordance with *CONRED* 5.2.7R; or
 - (b) redress is payable under either the commission repayment remedy (*CONRED* 5.4.4R) or the hybrid remedy (*CONRED* 5.4.22R).
- (2) Where a single motor vehicle sales transaction is financed by more than one motor finance agreement, the lender may-set off redress against one or more of the agreements relating to the transaction where there are undisputed arrears or default sums owed by the consumer under that agreement.
- 5.4.25 R Where the lender sets-off any redress in accordance with *CONRED* 5.4.24R, the lender must provide the consumer with the relevant details in the provisional redress decision (*CONRED* 5.4.36R and *CONRED* 5 Annex 2) and the *redress determination* where applicable (*CONRED* 5.4.37R(5) and *CONRED* 5 Annex 3).
- 5.4.26 R (1) The lender must remove any set-off in the redress determination where the consumer has objected to set-off being applied and the lender has determined that the objection satisfies one or more of the conditions in (2).
- (2) The conditions are that the consumer:

- (a) has provided evidence that they had disputed the arrears or default sums prior to the date of the provisional redress decision and this matter had not been resolved by the lender or by some other means; and/or
 - (b) has demonstrated that if set off is applied, the consumer would not be able to meet their priority debts.
- (3) When considering a consumer's objection to set off being applied, a lender must assess the objection and evidence in support fairly and in good faith.
- (4) The lender must respond to the consumer's objection to set off being applied in accordance with *CONRED* 5.4.37R.

Redress calculations – approach to evidence and missing information

- 5.4.27 R (1) In order to calculate redress in accordance with *CONRED* 5.4, the lender must:
- (a) first, consider information and data contained in primary records of the type set out in *CONRED* 5 Annex 1.1G(1) and (3); and
 - (b) then, where appropriate, consider whether reasonable assumptions can be made regarding the consumer's motor finance agreement by relying on contemporaneous records of the type described in *CONRED* 5 Annex 1.1G(4).
- (2) Where the lender does not have the necessary records, it must request these from the relevant credit broker.
- 5.4.28 R Where a credit broker either does not respond to the request for information in *CONRED* 5.4.27R(2) within 1 *month* or the credit broker only partially responds, the lender must send a further request as soon as practicable, providing a further 14 *days* for the credit broker to respond.
- 5.4.29 R A credit broker, where it receives a request for information from a lender under *CONRED* 5.4.27R(2), must comply with *CONRED* 5.2.28R.
- 5.4.30 R Where the lender has complied with *CONRED* 5.4.27R and the relevant information necessary to calculate redress continues to be missing, it must either:
- (1) contact the consumer and/or an appropriate third party such as a *credit reference agency* to provide some or all of the missing information and then rely on the approach to reconstructing missing information in *CONRED* 5.4.31R where the information has not been obtained; or
 - (2) rely on the approach to reconstructing missing information in *CONRED* 5.4.31R, without first taking the steps in (1).

Approach to reconstructing missing information

- 5.4.31 R (1) Where appropriate, the lender must reconstruct missing data using contemporaneous records of the type described in *CONRED* 5 Annex 1.1G(1), (3) and (4) relating to other consumers.
- (2) The other consumers referenced in (1) must have been in the same or sufficiently similar position as the consumer in the scheme case and would have received an annual percentage rate of charge which was the same or sufficiently similar to the annual percentage rate of charge that the consumer in the scheme case received.
- (3) The lender's determination must take into account:
- (a) the year of the transaction;
 - (b) the type and value of the vehicle purchased, bailed or hired;
 - (c) the amount of credit obtained; and
 - (d) the cost of that credit relative to the value of the vehicle.
- 5.4.32 R Where it is not possible to reconstruct missing information in accordance with *CONRED* 5.4.31R, the lender must adopt the approach set out in *CONRED* 5.4.33R for the relevant value.
- 5.4.33 R (1) Where the annual percentage rate of charge is missing, the lender must use:
- (a) the median of the annual percentage rates of charge under all motor finance agreements entered into by the lender following an introduction effected by the relevant credit broker in the financial year the motor finance agreement was entered into; or
 - (b) where (a) is not available, an annual percentage rate of charge which is the median annual percentage rate of charge under all motor finance agreements from a credit broker to whom the lender offered the same or sufficiently similar terms of engagement or business for the financial year in which the motor finance agreement was entered into.
- (2) Where the commission amount is missing, the lender must use:
- (a) a commission amount which is the median of the commission amounts under all motor finance agreements entered into by the lender following an introduction effected by the relevant credit broker in the financial year the motor finance agreement was entered into; or

- (b) where (a) is not available, a commission amount which is the median annual commission amount under all motor finance agreements from a credit broker to whom the lender offered the same or sufficiently similar terms of engagement or business for the financial year in which the motor finance agreement was entered into.
- (3) Where the total amount of credit is missing, the lender must:
 - (a) adopt a value using a motor valuation guide such as AutoTrader, CAP, Percayso and Glass's for the relevant motor vehicle and the relevant year, deducting 10% to reflect a typical deposit payment; or
 - (b) where the relevant year is not available in the motor valuation guides in (a):
 - (i) contact either a relevant third party such as a *credit reference agency* or take all reasonable steps to contact the consumer to obtain this information; or
 - (ii) contact both a relevant third party and the consumer where enquiries under (i) have not resulted in the lender obtaining the total amount of credit; and
 - (c) where the lender has not managed to obtain the information as a result of enquiries in (a) or (b), use a motor valuation guide of the type specified in (a) to adopt a value for the relevant motor vehicle based on the closest year the lender can obtain a valuation for at the point at which the consumer entered into the motor finance agreement, deducting 10% to reflect a typical deposit payment.
- (4) Where the start date or execution date for the motor finance agreement is missing, the lender must use:
 - (a) the first *day* of the *month* in which the lender has evidence of the consumer first making a payment or charges applying under the motor finance agreement; or
 - (b) if there is no evidence of the first payment or initial charges, the *day 'X' months* before the date the last regular payment was due under the agreement, where 'X' is the term of the agreement in *months*; or
 - (c) where it is not possible to determine the start date or execution date in accordance with (a) or (b):
 - (i) for new motor vehicles, the first *day* of the time period associated with the vehicle's registration, namely:

- (A) 1 March for vehicles registered between 1 March and 31 August; and
 - (B) 1 September for vehicles registered between 1 September and the last *day* of February; or
 - (ii) for used or second-hand motor vehicles, any information that indicates when the credit broker acquired the motor vehicle, such as date of purchase; or
 - (iii) where it is not possible to determine the start date or execution date in accordance with (i) or (ii), 48 *months* prior to the date the last regular payment was due under the agreement.
- (5) Where the date the last regular payment was due under the motor finance agreement or the date by which any fee associated with taking ownership must be paid is missing, the later of:
- (a) the last *day* of the *month* in which the lender has evidence of the consumer making a final payment or final charges applying under the agreement; and
 - (b) the *day* 48 *months* after the start date or the date the agreement was executed.
- (6) Where the actual end date of the motor finance agreement is not available, the lender must use:
- (a) the last *day* of the *month* in which the lender has evidence of the consumer making a final payment or final charges applying under the agreement;
 - (b) if there is no evidence of the final payment or final charges, the *day* 'X' *months* after the start date or the date the agreement was executed, where 'X' is the term of the agreement in *months*;
 - (c) if it is not possible to determine the end date in accordance with (a) or (b), the *day* 48 *months* after the start date or the date the agreement was executed.
- (7) Where the lowest rate of interest in the range of interest rates under the discretionary commission arrangement is not available, the lender must adopt:
- (a) the actual annual percentage rate of charge multiplied by 0.83; or
 - (b) (i) the median of the minimum rates under all motor finance agreements entered into by the lender

following an introduction effected by the relevant credit broker in the financial year the motor finance agreement was executed; or

- (ii) where (i) is not possible, the median of the minimum rates under all motor finance agreements from a credit broker to whom the lender offered the same or sufficiently similar terms of engagement or business for the financial year in which the motor finance agreement was executed.
- (8) Where necessary information to calculate early settlement payment(s) is not available, the lender must assume that the motor finance agreement remained valid for the agreed term, and the lender and consumer fulfilled their obligations under the terms and by the dates specified in that agreement.

Calculation methodology for compensatory interest

- 5.4.34 R (1) This *rule* sets out how the lender must calculate compensatory interest as part of the commission repayment remedy in *CONRED* 5.4.4R, the total APR adjustment in *CONRED* in 5.4.14R, the adjusted realised cost of credit cap in *CONRED* 5.4.20R and the total realised cost of credit cap in *CONRED* 5.4.21R.
- (2) (a) In relation to the commission repayment remedy and the total realised cost of credit cap, the lender must divide the period from the date the consumer entered into the motor finance agreement until the date of redress payment into calendar year segments.
 - (b) In relation to the total APR adjustment calculations and the adjusted realised cost of credit cap, the lender must:
 - (i) for each payment differential in the schedule in *CONRED* 5.4.12R and *CONRED* 5.4.20R(3), identify the date the payment differential occurred and the date of redress payment to create a list of interest periods; and
 - (ii) divide each interest period in (i) into calendar year segments.
 - (3) For each calendar year segment, the lender must:
 - (a) identify the compensatory interest rate from the table in *CONRED* 5.4.35R that applies to that year;
 - (b) calculate the number of *days* for which that rate applies in that calendar year; and

(c) apply the formula in (4).

(4) The formula is:

Calendar year segment interest amount

$$= \text{principal} \times \text{compensatory interest rate for that year} \times \left(\frac{\text{days}}{365}\right)$$

(* if the calendar year is a leap year, the denominator is 366)

where:

(a) the principal is either:

- (i) the total amount of commission payable, when calculating interest in relation to the commission repayment remedy; or
- (ii) the total realised cost of credit calculated in accordance with *CONRED* 5.4.21R, when calculating interest in relation to the total realised cost of credit cap; or
- (iii) each payment differential set out in the schedule produced in accordance with *CONRED* 5.4.12R, when calculating interest in relation to the total APR adjustment; or
- (iv) each payment differential set out in the schedule produced in accordance with *CONRED* 5.4.20R(3) when calculating interest in relation to the adjusted realised cost of credit cap; and

(b) compensatory interest rate is the rate that applies for that calendar year as set out in the table in *CONRED* 5.4.35R.

(5) The lender must sum the interest amounts for all calendar year segments to calculate the total compensatory interest.

5.4.35 R Table: Compensatory interest rates used in *CONRED* 5.4.34R for the purposes of calculating redress

Compensatory interest rates 2014–2028			
2014	3%	2022	3%
2015	3%	2023	5.68%
2016	3%	2024	6.11%
2017	3%	2025	5.25%

2018	3%	2026	4.49%
2019	3%	2027	4.4%
2020	3%	2028	4.6%
2021	3%		

Fifth step: sending a provisional redress decision and redress determination following redress calculations and paying redress

- 5.4.36 R (1) This *rule* applies where a lender has:
- (a) calculated the amount of redress payable to the consumer under *CONRED* 5.4.4R (the commission repayment remedy) or *CONRED* 5.4.22R (the hybrid remedy); and
 - (b) where relevant, set-off any undisputed arrears or defaults against that redress amount in accordance with *CONRED* 5.4.24R.
- (2) The lender must send the consumer a provisional redress decision in a durable medium that contains the information in *CONRED* 5 Annex 2 and includes:
- (a) the basis for the lender's determination that there was an unfair relationship that caused loss or damage;
 - (b) the total amount of redress payable to the consumer as an offer in full and final settlement of all claims against the lender within the subject matter of the scheme relating to the agreement;
 - (c) details of the calculations the lender made under *CONRED* 5.4.3R to *CONRED* 5.4.34R to determine the total amount of redress, clearly setting out the methodology used, any evidential assumptions and reconstructions relied on, the amount of compensatory interest included in these calculations and any proposed set-off for undisputed arrears or default sums; and
 - (d) that the consumer has 1 *month* from the date of the provisional redress decision to respond.

Handling a response to the provisional redress decision

- 5.4.37 R (1) This *rule* applies where a lender has sent a provisional redress decision under *CONRED* 5.2.7R(1), *CONRED* 5.4.6R or *CONRED* 5.4.36R.

- (2) Where the consumer responds to the provisional redress decision within 1 *month* stating that they do not wish to have their case considered under this scheme, the lender must, within a 7-day period beginning on the day the response is received, send the consumer a communication in a durable medium to:
 - (a) acknowledge the response; and
 - (b) explain that the *complaint* will not be dealt with any further.
- (3) Where the consumer responds to the provisional redress decision within 1 *month* stating that they accept the decision in full and final settlement, the lender must, within a 7-day period beginning on the day the response is received, send the consumer a communication acknowledging the acceptance.
- (4) Where a consumer responds to the provisional redress decision within 1 *month* objecting to the decision, the lender must:
 - (a) send an acknowledgment containing the information in *CONRED 5 Annex 10.1R* within 7 *days*, requiring the consumer to provide further details of the objection, including any evidence supporting the objection, within 1 *month* of the date of the acknowledgement;
 - (b) decide whether it should revise the provisional redress decision and recalculate the amount of redress payable based on the consumer's objection and any supporting evidence; and
 - (c) undertake one of the actions set out in (5) within 2 *months* of:
 - (i) the day it receives the further details of the objection; or
 - (ii) where it receives no further details within 1 *month* of the date of the acknowledgement in accordance with (a), the date of the expiry of that 1 *month* period.
- (5) The actions in (4)(c) are to either:
 - (a) send a *redress determination* containing the information in *CONRED 5 Annex 3* that confirms:
 - (i) that the lender has rejected the consumer's objection; and
 - (ii) the total amount of redress payable to the consumer in full and final settlement of all claims within the subject matter of the scheme relating to this case; or

- (b) send a *redress determination* containing the information in *CONRED 5 Annex 3* that confirms:
 - (i) the lender's acceptance of the consumer's objection; and
 - (ii) the revision of the provisional redress decision and recalculated total amount of redress payable in full and final settlement of all claims within the subject matter of the scheme relating to this case.
- (6) Where the consumer does not respond to the provisional redress decision within 1 *month*, the lender must send a *redress determination* confirming the provisional redress decision and containing the information in *CONRED 5 Annex 3* within 1 *month* of the expiry of that period.
- (7) Where the consumer responds to the *redress determination* within a minimum of 6 *months* stating that they accept the determination in full and final settlement, the lender must, within a 7-day period, beginning on the day the response is received, send the consumer a communication acknowledging the acceptance.
- (8) Any communication sent by a lender under this *rule* must be sent in a durable medium.

Paying redress

- 5.4.38 R (1) Where a lender receives an acceptance of the provisional redress decision sent in accordance with *CONRED 5.2.7R(1)* or *CONRED 5.4.36R* or the *redress determination* sent in accordance with *CONRED 5.4.37R(5)* or *CONRED 5.4.37R(6)*, it must recalculate the amount of compensatory interest payable as part of the redress calculations to reflect the actual redress payment date.
- (2) Where the motor finance agreement is ongoing, and there are no undisputed arrears or default sums, the lender:
- (a) may provide the consumer with the option of offsetting the amount of redress against any outstanding principal instead of receiving it as a separate payment; and
 - (b) must offset the amount of redress against the outstanding principal where the consumer gives consent to do so.
- (3) Within 1 *month* of receiving acceptance of the provisional redress decision or the *redress determination*, the lender must pay the amount of redress to the consumer either by bank transfer or in accordance with the consumer's instructions.

Post redress interest until payment

- 5.4.39 R (1) Simple interest is payable on the amount of redress from the end of the 1-month period referred to in *CONRED* 5.4.38R(3) until the date of payment of redress, at a rate of 8% per annum.
- (2) After the expiry of the 1-month period in *CONRED* 5.4.38R(3), the amount of redress, including interest, may be recovered as a debt due to the consumer and, in particular, may:
- (a) if a county court so orders in England and Wales, be recovered by execution issued from the county court (or otherwise) as if it were payable under an order of that court;
 - (b) be enforced in Northern Ireland as a money judgment under the Judgments: Enforcement (Northern Ireland) Order 1981; or
 - (c) be enforced in Scotland by the sheriff, as if it were a judgment or order of the sheriff whether or not the sheriff could themselves have granted such judgment or order.

Exceptional circumstances

- 5.4.40 R (1) Where a lender receives a communication set out in (2) after a deadline specified by this chapter due to exceptional circumstances (taking account of all of the circumstances of the case), the response must be considered under this chapter as if it had been received before that deadline.
- (2) The communications referred to in (1) are:
- (a) a response to a communication sent to a consumer under this chapter; and
 - (b) a *complaint* the lender would have been required to consider under *CONRED* 5.2.17(R)(2) had it been received before the end of the 17-month period referred to in that *rule*.
- (3) Where (1) applies, the time limits in this chapter are extended according to the length of delay caused by the customer's failure to comply with the deadline.

- 5.4.41 G In the *FCA*'s view, examples of circumstances that are exceptional under *CONRED* 5.4.40R might include:
- (1) the consumer's incapacitation or other serious ill-health condition or a bereavement during the relevant period; or
 - (2) where the lender failed to comply with the requirements in this chapter.

Payment of redress by successors

- 5.4.42 R (1) A successor is liable for a portion of the redress, calculated by the lender in accordance with *CONRED* 5.4.44R.
- (2) A successor must promptly pay its portion of the redress to the lender.
- 5.4.43 G (1) *CONRED* 5.4.42R(2) clarifies how a successor discharges its portion of the liability, but this is without prejudice to any rights of indemnity or contribution a successor may have against a lender under the contractual arrangements between them or pursuant to the Civil Liability (Contribution) Act 1978.
- (2) The obligation on a successor to pay the lender promptly under *CONRED* 5.4.42R(2) is to allow the lender to make a single payment to the consumer for the full redress amount and within the timeframes required by the scheme.
- (3) *CONRED* 5.4.42R(2) does not allow for multiple payments to a consumer. A lender is responsible under *CONRED* 5.4.38R(3) for making a single payment of redress to consumers within the timeframes required by the scheme, including when there is a successor.
- 5.4.44 R (1) For all scheme cases where the lender has identified a successor, the lender must calculate the successor's liability using the successor liability formula.
- (2) The successor liability formula is:
- $$S = (R / T) \times D$$
- where:
- (a) S = successor's liability;
- (b) R = redress payable to a consumer;
- (c) T = term of the relevant loan represented in *days*; and
- (d) D = number of days for which the successor holds the loan.
- (3) The reference in *CONRED* 5.4.44R(2) to the successor holding the loan is to be read as meaning the period beginning on the day the *person* became a successor of the relevant motor finance agreement and, if relevant, ending the day before another *person* became a successor of the same motor finance agreement.

5.5 Taking steps by or on behalf of the FCA

- 5.5.1 R (1) Where there has been a material failure by the lender to take any of the actions required under this chapter, the *FCA* may:
- (a) take any of the steps in *CONRED 5.2* to *CONRED 5.4* in place of the lender; or
 - (b) appoint one or more competent persons to take any of the steps in *CONRED 5.2* to *CONRED 5.4* in place of the lender.
- (2) The *FCA* must give the lender notice before taking any steps under (1).
- 5.5.2 R Where the *FCA* gives notice in the circumstances described in *CONRED 5.5.1R(1)*, the lender must:
- (1) not carry out (or, as the case may be, cease to carry out) any of the steps to be taken by the *FCA* or the competent person, unless so directed by the *FCA* or the competent person (as applicable); and
 - (2) render all reasonable assistance to the *FCA* or the competent person.
- 5.5.3 R A lender must, in rendering all reasonable assistance to the *FCA*, ensure that the *FCA* has access to all primary and secondary records and, to the extent that there are gaps in those records, request them from the appropriate person in accordance with the *rules* in this chapter.
- 5.5.4 R The competent person may request relevant records and information directly from the credit broker, providing them with 1 *month* to respond.
- 5.5.5 R If a credit broker does not respond to the request for information in *CONRED 5.5.4R* within 1 *month*, or if the credit broker only partially responds, the competent person may send a further communication in a durable medium, providing a further 14 *days* for the credit broker to respond.
- 5.5.6 R Where a credit broker receives a request for information from a competent person under *CONRED 5.5.4R* or *CONRED 5.5.5R*, it must conduct a thorough search of its systems and respond to that request within the prescribed deadlines by either:
- (1) providing the requested information in the format requested or, if that is not reasonably practicable, a reasonable format; or
 - (2) confirming that it does not hold the requested information.
- 5.5.7 R (1) Where the *FCA* or a competent person takes any steps under *CONRED 5.5.1R* and the *FCA* proposes to make any determination of:
- (a) whether there has been a material failure by the lender to take any actions required under this chapter;

- (b) whether a failure by a lender has caused loss to a consumer; or
- (c) what the provisional redress sum must be in respect of the failures,

the *FCA* must give the lender a *warning notice* specifying the proposed provisional determination.

- (2) The provisional redress sum in (1)(c) must be the amount that would be owed to a consumer if a *redress determination* was made pursuant to *CONRED 5.4* on the same date as the *warning notice*.

5.5.8 R (1) If the *FCA* decides to make a determination of the matters in *CONRED 5.5.7R*, the *FCA* must give the lender a *decision notice* specifying the determination.

- (2) If the *FCA* makes such a determination, the lender may refer the matter to the *Tribunal*.

5.5.9 R Part 26 of the *Act* (including the provisions as to *final notices*) applies in respect of notices given under *CONRED 5.5.7R* and *CONRED 5.5.8R*.

5.5.10 G (1) Where, instead of the lender, the *FCA* or, where applicable, a competent person communicates with a consumer:

- (a) the *FCA* or the competent person must do so in its own name, making clear in the case of a competent person its authority from the *FCA* to do so; and
- (b) the *FCA* or the competent person must make such amendments to the communications in the forms set out in *CONRED 5 Annex 2* to *CONRED 5 Annex 10* as appropriate to reflect that they are being sent in the name of the *FCA* or the competent person.

- (2) Where, instead of the lender, the *FCA* or, where applicable, a competent person issues the *redress determination*:

- (a) the *FCA* or the competent person must update the redress sum in the provisional decision no earlier than 1 *month* after the issue of a final notice in respect of the *FCA*'s decision to make a determination of the matters in *CONRED 5.5.7R* to reflect the amount that is owed at the time such *redress determination* is made; and
- (b) the *FCA* or the competent person must send the lender a copy of the consumer's response to the *redress determination*.

5.5.11 G A fee is payable by the lender in any case where the *FCA* exercises its powers under *CONRED 5.5.1R*: see the table at *FEES 3.2.7R*.

- 5.5.12 G The completion of the steps in *CONRED* 5.2 to *CONRED* 5.4 by, or on behalf of, the *FCA*, as provided in *CONRED* 5.5.1R, does not affect the ability of the *Financial Ombudsman Service* to consider a *complaint*, in particular where the lender has not sent a *redress determination* in accordance with the time limits specified under the scheme.

5.6 Supervision and delegation of scheme process by firms

- 5.6.1 R (1) A lender must ensure that the steps required by this chapter are undertaken or supervised by the individual appointed by the lender under *DISP* 1.3.7R where that *rule* applies.
- (2) Where *DISP* 1.3.7R does not apply, those steps must be taken or supervised by a *person* of appropriate experience and seniority.
- 5.6.2 G (1) Any lender intending to outsource any of the obligations imposed on it under this chapter must have due regard to the *rules* and *guidance* on outsourcing which are applicable to it, notably in *SYSC*.
- (2) A lender which outsources any of the obligations imposed on it under this chapter in respect of communications with consumers must ensure that those communications are clear as to the identity of the lender.

5.7 Provisions relating to communications with consumers

Consumer understanding outcomes

- 5.7.1 R *CONRED* 5.7.2R to *CONRED* 5.7.17R apply when a lender communicates with a consumer under this chapter.
- 5.7.2 R A lender must support its consumers' understanding so that its communications:
- (1) meet the information needs of those consumers;
 - (2) are likely to be understood by the consumers intended to receive the communications;
 - (3) equip those consumers to make decisions that are effective, timely and properly informed; and
 - (4) are tailored, taking into account the characteristics and needs of the consumers intended to receive the communication, including:
 - (a) any characteristics of vulnerability;
 - (b) the complexity of the relevant motor finance agreements;
 - (c) the communication channel used; and

(d) the lender's role.

- 5.7.3 R A lender must communicate information to consumers in a way which is clear, fair and not misleading.
- 5.7.4 R Where a lender is interacting directly with a consumer on a one-to-one basis, it must, where appropriate:
- (1) tailor its communications to meet the information needs of that consumer, taking account of whether they have any characteristics of vulnerability; and
 - (2) ask the consumer whether they understand the information and whether they have any further questions.
- 5.7.5 R A lender must monitor and adapt its communications to support understanding and good outcomes for consumers.
- 5.7.6 G The *FCA* expects lenders to ensure that information with respect to customer vulnerability is kept up to date. This information is needed for lenders to be able adapt their communications to support understanding and good outcomes for consumers under *CONRED 5.7.5R*.
- 5.7.7 R In considering methods of communicating with consumers, a lender must satisfy itself that the communication channel:
- (1) enables the communication of relevant information, which is required by this consumer redress scheme or which consumers are likely to need, in a way that supports effective decision-making; and
 - (2) provides an appropriate opportunity for consumers to review the information and, where relevant, assess their options.

Communications: supplementary

- 5.7.8 R Whenever a lender sends a communication under a provision of this chapter containing information as set out in a specified Annex, it must:
- (1) enclose or attach any relevant documents and, where the communication is a letter, enable the consumer to respond free of charge by including pre-paid envelopes;
 - (2) where the communication is a *redress determination*, insert a link to, or include the URL of, the *Financial Ombudsman Service* in respect of such determination;
 - (3) complete the communication by following the instructions set out in the specified Annex; and
 - (4) comply with any instructions in the specified Annex.

5.7.9 R A lender must allocate a unique reference number to each scheme case it deals with and state this reference number in each communication it sends to a consumer.

5.7.10 R All communications to consumers required under this chapter which are letters must be printed on the letterhead of the lender.

Consumer factsheet

5.7.11 R Where a lender sends a consumer a provisional redress decision, a *redress determination* or an invitation to opt-in to the scheme as its first communication under the scheme with that consumer, it must send with that communication a consumer factsheet as set out in *CONRED 5 Annex 11.1R* in a durable medium.

Communication channels

5.7.12 R A lender must ensure that that the durable medium used to communicate with a consumer does not:

- (1) increase the risk of financial crime as compared to communicating by letter; or
- (2) make it more difficult for that consumer to access the scheme than had the consumer been communicated with by letter.

Incorrect contact details

5.7.13 R (1) Where a lender holds contact details for a consumer and becomes aware that the details are out of date, it must:

- (a) take all reasonable steps to obtain up-to-date contact details for the consumer, including by contacting an appropriate third party such as a *credit reference agency*;
- (b) where appropriate, resend any communication; and
- (c) repeat any other steps to contact the consumer required by this chapter.

(2) If, having complied with (1), a lender is unable to contact a consumer, it need not take any further action pursuant to this chapter in relation to that consumer unless (3) applies.

(3) If, in relying on (2), the lender has ceased taking action but subsequently becomes aware of up-to-date contact details for that consumer, the lender must resend any communications and repeat the steps to contact the consumer required by this chapter.

- (4) The means by which the lender may become aware of up-to-date contact details under (3) include receiving an opt-in communication or a *complaint* from the consumer:
 - (a) within 17 *months* of scheme effective date; or
 - (b) more than 17 *months* after the scheme effective date where the exceptional circumstances referred to in *CONRED 5.4.41G* apply.
 - (5) If a lender is resending a communication and repeating steps pursuant to (3), each applicable deadline for those steps is extended according to the length of the delay incurred by the application of (2).
- 5.7.14 R (1) This *rule* applies where, under this chapter, a lender contacts a consumer who has not previously complained to the lender about a motor finance agreement.
- (2) Where a lender contacts a consumer a second time because that consumer did not respond to the lender's first communication, the lender must attempt to do so using an alternative communication channel.
 - (3) Where the lender does not have the contact details for a consumer using an alternative communication channel under (2), it must take all reasonable steps to obtain such contact details, including by contacting an appropriate third party such as a *credit reference agency*.
 - (4) Where a lender is not able to obtain alternative contact details after taking all reasonable steps as referred to in (3), it may send the communication by the same communication channel as before.

Taking reasonable steps to ascertain missing information

- 5.7.15 R The reasonable steps referred to in *CONRED 5.7.13R(1)(a)* or *CONRED 5.7.14R(3)* must include, where applicable:
- (1) checking public sources of information (for example, electoral rolls) but without incurring disproportionate cost;
 - (2) attempting to contact the consumer by telephone (at a reasonable hour when the consumer is likely to be available to receive the call) and by email; and
 - (3) attempting to contact any other party by telephone (during business hours) and by email.
- 5.7.16 R When taking reasonable steps to ascertain missing information and when contacting a consumer, a lender must:

- (1) not request more information than is sufficient for it to determine all of the outstanding matters;
- (2) exercise sensitivity when requesting information about a consumer's personal circumstances;
- (3) ensure the consumer understands what information they have been asked to provide and in what format;
- (4) only ask for information that is likely to be readily accessible to the consumer (and obtain the consumer's authority to approach third parties for information on their behalf);
- (5) allow the consumer at least 1 *month* to respond; and
- (6) make clear why the lender is asking for the information and the consequence if the information is not provided.

Prohibition against influencing consumers against their interests

- 5.7.17 R A lender must not make any communication to a consumer which has the object or effect of influencing, for the benefit of the lender, the outcome of the processes undertaken pursuant to this chapter, either by influencing the content of information provided by the consumer in response to the lender's requests made under this chapter or otherwise.

Deceased customers

- 5.7.18 R Where a lender is required to contact a consumer under a provision of these rules and where the lender knows that consumer to be deceased or becomes aware that they are deceased, it must take all reasonable steps to instead communicate with:
- (1) a personal representative of the consumer's estate; or
 - (2) the beneficiaries of the consumer's estate.
- 5.7.19 R The provisions of *CONRED* 5.7.13R and *CONRED* 5.7.14R also apply in respect of a lender's communications with *persons* referred to in *CONRED* 5.7.18R.

5.8 Impact of complaints to the Financial Ombudsman Service on scheme deadlines

- 5.8.1 R Where a consumer makes a *complaint* to the *Financial Ombudsman Service* following a *redress determination* by a lender under this chapter, the remaining time period for completing any subsequent scheme steps is suspended between:
- (1) the date the *redress determination* is sent by the lender to the consumer; and

- (2) the date:
 - (a) the *complaint* is resolved by agreement between the lender and the consumer pursuant to *DISP* 3.5.1R; or
 - (b) the lender receives notification from the *Financial Ombudsman Service* of the outcome of the *complaint* in accordance with *DISP* 3.6.6R(5).

5.9 Consumer redress scheme: information requirements

Requests for information by the FCA

- 5.9.1 R In relation to any matter concerning or relating to the scheme, section 165 (Regulator's power to require information: authorised persons etc.) of the *Act*, and any provision of Part XI (Information Gathering and Investigations) of the *Act* which relates to that section, apply to any *firm* and any successor which is an *unauthorised person* as if it were an *authorised person*.

Early start reporting requirements

- 5.9.2 G A lender must notify the *FCA* of its intention to implement any of the scheme steps during the implementation period, see *CONRED* 5.2.1R. The content of that notification is set out in the following *rules*.
- 5.9.3 R A lender must, within 15 *working days* of the scheme effective date, notify the *FCA*:
 - (1) if it intends to implement any of the scheme steps during the implementation period; and
 - (2) of the name of the *senior manager* (or equivalent where there is no *senior manager*) responsible for oversight and overall delivery of the scheme and contact details ('senior manager responsible').
- 5.9.4 R
 - (1) A lender must provide the information in (2) if, under *CONRED* 5.2.1R, the lender intends to implement any of the scheme steps before the end of the implementation period.
 - (2) The information is:
 - (a) the date the lender intends to begin processing scheme cases under *CONRED* 5.2.1R;
 - (b) the one-off information set out in *CONRED* 5.9.6R;
 - (c) a scheme implementation plan that contains the information set out in *CONRED* 5.9.7R; and

- (d) a forecast report that contains the information set out in *CONRED 5.9.9R*.
 - (3) The information must be provided no later than 15 *working days* before the lender begins identifying scheme cases in accordance with the first and second scheme steps (as set out in *CONRED 5.2.9R* to *CONRED 5.2.17R*).
- 5.9.5 R (1) If a lender begins identifying scheme cases in accordance with the first and second steps (as set out in *CONRED 5.2.9R* to *CONRED 5.2.17R*) before the end of the implementation period, *CONRED 5.9.11R* to *CONRED 5.9.23R* apply with the modification in (2).
- (2) In *CONRED 5.9.11R* and *CONRED 5.9.13R*, the reference to ‘the end of the implementation period’ must be substituted with ‘the date on which the lender began processing scheme cases under *CONRED 5.2*’.

One-off information requirement

- 5.9.6 R A lender must, within 6 weeks of the scheme effective date, provide the *FCA* with the following one-off information:
- (1) the number of motor finance agreements in the lender’s starting population, identified in accordance with *CONRED 5.1.6R*;
 - (2) the number of *complaints* relating to motor finance agreements received by the lender prior to the scheme effective date;
 - (3) the number of *complaints* in (2) where complainants are represented by a professional representative, such as a claims management company or a solicitor;
 - (4) the number of *complaints* in (2) where complainants are represented by multiple professional representatives, such as a claims management company or a solicitor; and
 - (5) attestations from the senior manager responsible, confirming that the lender has the systems and controls to:
 - (a) successfully identify the starting population of potentially impacted customers in accordance with the first and second steps set out in *CONRED 5.2.9R* to *CONRED 5.2.17R*;
 - (b) identify which of its own records and information are relevant assessing motor finance agreements, as required by this chapter; and
 - (c) take the steps under the scheme to obtain relevant records and information required to assess motor finance agreements from third parties where these are not held by the lender.

Scheme implementation plan

- 5.9.7 R (1) A lender must provide a scheme implementation plan to the *FCA* at the same time as it provides the *FCA* with the one-off information set out in *CONRED 5.9.6R*.
- (2) A scheme implementation plan must include:
- (a) a lender's plan for complying with its obligations under the scheme; and
 - (b) a lender's policies and procedures addressing the lender's approach to the matters in (3).
- (3) The matters referred to in (2)(b) are:
- (a) data collection, including:
 - (i) the circumstances in which the lender will contact brokers; and
 - (ii) the name and firm reference number of each broker the lender will contact;
 - (b) the grouping of cases and approach to making cohort or group-based decisions about:
 - (i) cases which fall outside the subject matter of the scheme;
 - (ii) identifying cases the lender considers to be time-barred and excluded from the definition of scheme case under *CONRED 5.1.17R(1)(g)*;
 - (iii) identifying relevant arrangements at the first and second scheme steps;
 - (iv) identifying cases at the first and second scheme steps that are exceptions pursuant to *CONRED 5.2.20R* for captive and white label relationships;
 - (v) using rebuttals at stage 1 of the third scheme step, under *CONRED 5.3.14R* and at stage 2 of the third scheme step under *CONRED 5.3.22R*; and
 - (vi) issuing full and final early settlement offers at any stage of the scheme under *CONRED 5.2.7R(1)* if a lender is likely to make such offers;
 - (c) the build and use of automated processes, including for:

- (i) decision-making tools;
- (ii) redress calculators; and
- (iii) making payments to consumers;
- (d) the use of outsourcing arrangements, including the name of the outsourcer, if applicable;
- (e) the quality assurance of cases being processed under the scheme and their outcomes;
- (f) preventing and detecting scams, including the approach to identifying and verifying a consumer's identity; and
- (g) consumers with multiple professional representatives, such as a claims management company or a solicitor.
- (4) The scheme implementation plan must set out whether the lender intends to apply for a *waiver*, including an intention to request for an extension of time to complete any steps under the scheme.
- (5) If, following the submission of the scheme implementation plan to the *FCA*, the lender materially changes or updates its approach to any of the areas in (3) or (4) so that the scheme implementation plan is no longer accurate, the lender must promptly notify the *FCA* and provide details of its updated approach.

Forecast report

- 5.9.8 G (1) The *FCA* requires lenders to provide a report which forecasts how they expect to assess motor finance agreements and process scheme cases under the scheme, including a breakdown of the number of cases a lender expects to process each *month*, until the lender reaches the end of the scheme.
- (2) The forecast report is to be provided to the *FCA* at the 6-week point, alongside the one-off information and scheme implementation plan, and then an updated forecast report should be provided every 3 *months* from then.
- (3) The forecast report data should be reported separately for consumers who have complained, and consumers who have not complained, where this is applicable to the reported metric. The forecast report data should also be broken down by type and combination of relevant arrangement, where this is indicated in the provision.
- 5.9.9 R (1) A lender must report a delivery forecast to the *FCA* (a 'forecast report') in accordance with this *rule*.
- (2) The forecast report must contain the following information:

- (a) a *monthly* forecast of the number of motor finance agreements (by type of relevant arrangement, see *CONRED* 5.9.23R) to be processed each *month*, until all motor finance agreements that the lender must process have reached the end of the scheme;
- (b) the number of motor finance agreements in the lender's starting population, identified in accordance with *CONRED* 5.1.6R;
- (c) of the number reported in (b), the number of full and final early settlement offers in accordance with *CONRED* 5.2.7R(1) that the lender forecasts issuing;
- (d) of the number reported in (b), the number of motor finance agreements that the lender forecasts will be excluded from being a scheme case under *CONRED* 5.1.17R(1)(d), for exceeding the total amount of credit set out in *CONRED* 5.1.18R;
- (e) of the number reported in (b), the number of motor finance agreements that the lender forecasts will be time-barred pursuant to *CONRED* 5.1.17R(1)(g);
- (f) of the number reported in (b), the number of agreements that the lender forecasts will satisfy the conditions of a scheme case set out in *CONRED* 5.1.17R; ;
- (g) of the number reported in (f), the number of scheme cases that the lender forecasts have one or more relevant arrangements (by type of relevant arrangement, see *CONRED* 5.9.23R);
- (h) of the number reported in (g), the number of cases (by type of relevant arrangement, see *CONRED* 5.9.23R) where the lender intends to rely on:
 - (i) the exception for captive and white label relationships at the first and second scheme steps, set out in *CONRED* 5.2.20R;
 - (ii) *CONRED* 5.3.14R to rebut the presumption of unfairness at stage 1 of the third scheme step; or
 - (iii) *CONRED* 5.3.22R to rebut the presumption of loss or damage at stage 2 of the third scheme step;
- (i) of the number reported in (g), the number of cases (by type of relevant arrangement, see *CONRED* 5.9.23R) that the lender forecasts will proceed to a redress calculation in accordance with the fourth scheme step;

- (j) of the number reported in (i), the number of cases (by type of relevant arrangement, see *CONRED* 5.9.23R):
 - (i) where the lender forecasts that the consumer will be sent a *redress determination* of £0 in accordance with *CONRED* 5.4.6R (where the consumer paid a minimal cost of credit, offered to 5% of the market at the time); and
 - (ii) where the lender forecasts that the consumer will be sent a *redress determination* greater than £0 in accordance with scheme *rules*.
- (k) the lender's cash flow forecast for:
 - (i) redress payments under (2)(j); and
 - (ii) early settlement payments under (2)(c).
- (3) The information in (2)(a) to (k) should, as applicable, be separately reported for the number of cases involving a *complaint*, regardless of whether the *complaint* was received before or after the scheme effective date.
- (4) A forecast report must be sent to the *FCA*:
 - (a) within 6 weeks of the scheme effective date; and
 - (b) every 3 *months* thereafter until all motor finance agreements that the lender must process have reached the end of the scheme.

Baseline monthly report

- 5.9.10 G (1) The *FCA* requires lenders to provide a *monthly* report which sets out the actual number of motor finance agreements assessed, and scheme cases processed, at each scheme step, for every relevant *month*, under the same headings as the forecast report. The report must be provided on a *monthly* basis until the lender has processed all cases under the scheme.
- (2) The purpose of this *monthly* report is for the *FCA* to compare actual processing of agreements under the scheme to the lenders' forecasts. This *monthly* report must mirror the forecast report in order for this comparison to be made.
- 5.9.11 R (1) A lender must provide a baseline *monthly* report that comprises the information required in *CONRED* 5.9.9R(2) within one *month* of the end of the implementation period.

- (2) The information reported in the baseline *monthly* report pursuant to *CONRED 5.9.9R(2)* should be the actual number of motor finance agreements assessed, and scheme cases processed under the scheme, not forecasts or estimates.
- (3) The information in the baseline *monthly* report must be for the *month* prior to the *month* in which it is being submitted.
- (4) The information in the baseline *monthly* report should, as applicable, be separately reported for the number of cases involving a *complaint*, regardless of whether the *complaint* was received before or after the scheme effective date.
- (5) The baseline *monthly* report must be submitted to the *FCA*:
 - (a) each *month* no later than one *month* after the previous baseline *monthly* report was submitted to the *FCA*; and
 - (b) until such time as the lender has completed the scheme steps as set out in this chapter in respect of its entire population of scheme cases.

Detailed monthly report

- 5.9.12 G (1) The *FCA* requires lenders to provide a detailed *monthly* report alongside the baseline *monthly* report. The detailed report provides additional information that the lender is not required to forecast, and so not already included in the baseline *monthly* report.
- (2) The *monthly* data should be reported separately for consumers who have complained, and consumers who have not complained, where this is applicable to the reported metric. The *monthly* data should also be broken down by type and combination of relevant arrangement, where this is indicated in the provision.
- (3) The lender needs to provide all the information described in *CONRED 5.9.14R* to *CONRED 5.9.20R* where this information becomes available to the lender as cases are processed through the scheme.
- 5.9.13 R (1) A lender must provide a detailed *monthly* report that comprises the information required in *CONRED 5.9.14R* to *CONRED 5.9.20R*, within one *month* of the end of the implementation period.
- (2) The information in the detailed *monthly* report must be for the *month* prior to the *month* in which it is being submitted.
- (3) The information in the detailed monthly report should, as applicable, be separately reported for the number of cases involving a *complaint*, regardless of whether the *complaint* was received before or after the scheme effective date.

- (4) The detailed *monthly* report must be submitted to the *FCA*:
 - (a) each *month* no later than one *month* after the previous detailed *monthly* report was submitted to the *FCA*; and
 - (b) until such time as the lender has completed the scheme steps as set out in this chapter in respect of its entire population of scheme cases.

5.9.14 R The detailed *monthly* report must include the following information in relation to consumer decision-making:

- (1) the number of cases where:
 - (a) a consumer was invited to opt in to the scheme at the second scheme step (in accordance with *CONRED* 5.2.11R);
 - (b) of the number in (a), the number of scheme cases where a consumer did not opt in within the 6-*month* deadline set out in *CONRED* 5.2.11R(2)(c)(ii); and
 - (c) of the number in (a), the number of scheme cases where a consumer did opt in to the scheme (within the 6-*month* deadline);
- (2) in relation to all motor finance agreements that must be assessed by the lender:
 - (a) the number of agreements in respect of which the lender sent a provisional redress decision at any step of the scheme;
 - (b) of the number in (a), the number accepted by a consumer, including:
 - (i) the number of decisions that were accepted by a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of decisions that were accepted by a consumer not represented by a professional representative, such as a claims management company or a solicitor;
 - (c) of the number in (a), the number objected to by a consumer, including:
 - (i) the number of decisions that were objected to by a consumer represented by at least one professional

- representative, such as a claims management company or a solicitor; and
- (ii) the number of decisions that were objected to by a consumer not represented by a professional representative, such as a claims management company or a solicitor
- (d) of the number in (a), the number of which that were responded to by a consumer, confirming they wished to opt-out of the scheme, including:
 - (i) the number of consumers represented by at least one professional representative, such as a claims management company or a solicitor, who wished to opt-out; and
 - (ii) the number of consumers not represented by a professional representative, such as a claims management company or a solicitor, who wished to opt-out;
- (3) in relation to the number of full and final early settlement offers issued by the lender at any stage of the scheme (as reported in the baseline *monthly* report), the number of offers which were:
 - (a) accepted by a consumer, including:
 - (i) the number of acceptances by a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of acceptances by a consumer not represented by a professional representative, such as a claims management company or a solicitor;
 - (b) rejected by a consumer, including:
 - (i) the number of rejections by a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of rejections by a consumer not represented by a professional representative, such as a claims management company or a solicitor;
- (4) in relation to the number of *redress determinations* sent by the lender at any step of the scheme, the number which were:
 - (a) accepted by a consumer, including:

- (i) the number of acceptances by a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of acceptances by a consumer not represented by a professional representative, such as a claims management company or a solicitor;
 - (b) rejected by a consumer, including:
 - (i) the number of rejections by a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of rejections by a consumer not represented by a professional representative, such as a claims management company or a solicitor.
- 5.9.15 R The detailed *monthly* report must include, in relation to credit brokers and in relation to all motor finance agreements that the lender must assess, the number of agreements in respect of which:
- (1) the lender requested relevant records and information from a credit broker (in accordance with *CONRED* 5.2.25R and *CONRED* 5.3.4R);
 - (2) the credit broker did not respond before the deadline of 1 *month* (in accordance with *CONRED* 5.2.28R and *CONRED* 5.3.6R);
 - (3) the lender sent a further request for relevant records and information from a credit broker (in accordance with *CONRED* 5.2.27R and *CONRED* 5.3.5R);
 - (4) the credit broker did not respond before the 14-day deadline (in accordance with *CONRED* 5.2.27R and *CONRED* 5.3.5R);
 - (5) the lender relied on the insufficient information provisions in *CONRED* 5.2.13R before sending a provisional redress decision stating that no redress was due.
- 5.9.16 R The detailed *monthly* report must include the following information in relation to *complaints* and professional representatives, such as a claims management company or a solicitor:
- (1) As of the date on which the lender starts to assess motor finance agreements in accordance with the first scheme step set out in *CONRED* 5.2.9R, the number of *complaints*:
 - (a) in relation to which the consumer is represented by either:
 - (i) a claims management company or a solicitor; or

- (ii) multiple professional representatives (including a claims management company and a solicitor);
 - (b) where a *final response* has not been issued by the lender; and
 - (c) that have been referred to the *Financial Ombudsman Service* and which the *Financial Ombudsman Service* has:
 - (i) upheld; and
 - (ii) rejected.
 - (2) After the lender has completed the first and second scheme steps pursuant to *CONRED 5.2.9R* and *CONRED 5.2.11R*, the number of scheme cases (as reported in the baseline *monthly* report) where the consumer is represented by either:
 - (a) a claims management company or a solicitor; or
 - (b) multiple professional representatives (including a claims management company and a solicitor).
- 5.9.17 R The detailed *monthly* report must include the following information in relation to redress:
- (1) in relation to all motor finance agreements which are determined to be scheme cases at the first and second scheme steps pursuant to *CONRED 5.2.9R* and *CONRED 5.2.11R*:
 - (a) the number of provisional redress decisions issued (in accordance with *CONRED 5.2.9R(2)(e)(i)* where the consumer obtained no redress because the lender did not identify a relevant arrangement;
 - (b) the number of scheme cases where one of the following relevant arrangement exceptions applied:
 - (i) the total amount of commission was £150 or less, as set out in *CONRED 5.2.19R(2)(a)*;
 - (ii) the annual percentage rate for the motor finance agreement was 0%, as set out in *CONRED 5.2.19R(2)(b)*;
 - (iii) in relation to a discretionary commission arrangement, the interest rate that applied under the motor finance agreement was the lowest rate of interest in the range of interest rates that could have been selected by the credit broker, as set out in *CONRED 5.2.19R(3)*; and

- (iv) in relation to a tied arrangement, the exception for captive and white label relationships described in *CONRED 5.2.20R* applied;
- (2) in relation to all scheme cases which proceed to the third scheme step in *CONRED 5.3.1R*:
 - (a) the number of provisional redress decisions issued under *CONRED 5.3.20R(2)(a)* where the lender determined there was not an unfair relationship in accordance with *CONRED 5.3.1R(1)* because:
 - (i) there was adequate disclosure as described in *CONRED 5.3.10R* (by type of relevant arrangement, see *CONRED 5.9.23R*);
 - (ii) the lender applied the consumer knowledge rebuttal set out in *CONRED 5.3.14R(1)*; or
 - (iii) the lender applied the unused tie rebuttal set out in *CONRED 5.3.14R(2)*;
 - (b) in relation to (2)(a), the number of provisional redress decisions where the consumer has objected to the decision within 1 *month*;
 - (c) in relation to (2)(b), the number of cases where the lender accepted the consumer's objection and proceeded to the next stage or step in the scheme pursuant to *CONRED 5.3.27R(6)*;
 - (d) the number of provisional redress decisions issued under *CONRED 5.3.26R(2)(a)* where the lender determined that the unfair relationship did not cause loss or damage to the consumer because the presumption was rebutted in accordance with *CONRED 5.3.22R(1)*;
 - (e) in relation to (2)(d), the number of provisional redress decisions where the consumer has objected to the decision within 1 *month*;
 - (f) in relation to (2)(e), the number of cases where the lender accepted the consumer's objection and proceeded to the next stage or step in the scheme pursuant to *CONRED 5.3.27R(6)*;
- (3) in relation to all scheme cases which proceed to the fourth and fifth scheme steps in *CONRED 5.4*:
 - (a) the number of provisional redress decisions issued under *CONRED 5.4.36R(2)* where the lender calculated the redress payable to the consumer:

- (i) using the commission repayment remedy methodology set out in *CONRED 5.4.4R*; or
 - (ii) using the hybrid remedy methodology set out in *CONRED 5.4.22R*;
- (b) of the number reported for (3)(a)(ii), the number of decisions where redress has been capped under:
 - (i) the adjusted commission plus interest cap, as set out in *CONRED 5.4.19R*;
 - (ii) the adjusted realised cost of credit cap, as set out in *CONRED 5.4.20R*; or
 - (iii) the total cost of credit cap, as set out in *CONRED 5.4.21R*;
- (4) the total number of *redress determinations* issued by the lender at any step of the scheme;
- (5) of the number reported for (4), the number of *redress determinations* (by type of relevant arrangement, see *CONRED 5.9.23R*) issued where the lender made no offer of redress;
- (6) of the number reported for (4), the number of *redress determinations* which were referred to the *Financial Ombudsman Service* and which the *Financial Ombudsman Service*:
 - (a) rejected; or
 - (b) upheld;
- (7) the total value of redress paid:
 - (a) under this chapter, within 1 *month* of the acceptance of the *redress determination*, in accordance with deadline for payment in *CONRED 5.4.38R(3)*;
 - (b) under this chapter, outside of the 1-*month* deadline referred to in (7)(a); or
 - (c) following an award by the *Financial Ombudsman Service*
- (8) the total value of redress offered by the lender but not accepted by the consumer.

5.9.18 R The detailed *monthly* report must also include the following information in relation to financial resources:

- (1) the value of redress not paid yet;

- (2) the total liquid assets held (cash and cash equivalent);
- (3) the net assets (or liability) position;
- (4) a 3-month forecast of the total liquid assets held (cash and cash equivalent); and
- (5) the amount of redress due that has neither been paid out nor provisioned for.

5.9.19 R The *rule* in *CONRED* 5.9.18R does not apply to a *dual-regulated firm*.

5.9.20 R The detailed *monthly* report must also include the following information in relation to timeliness:

- (1) the number of provisional redress decisions (sent in accordance with *CONRED* 5.3.20R(2)(a) and *CONRED* 5.3.26R(2)(a)) that were issued:
 - (a) within 4 weeks of starting the third scheme step; and
 - (b) within 6 weeks of starting the third scheme step;
- (2) the number of provisional redress decisions (sent in accordance with *CONRED* 5.4.6R(2)(a) and *CONRED* 5.4.36R) that were issued:
 - (a) within 4 weeks of starting the fourth scheme step; and
 - (b) within 6 weeks of starting the fourth scheme step;
- (3) the number of consumer responses to provisional redress decisions that (in accordance with *CONRED* 5.3.27R(2), *CONRED* 5.3.27R(3) and *CONRED* 5.3.27R(4)(a)) were responded to in the third scheme step by the lender:
 - (a) within a 7-day period beginning on the day the response was received; and
 - (b) outside of the 7-day period in (3)(a), including:
 - (i) the number of responses that were sent to a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of responses that were sent to a consumer not represented by a professional representative, such as a claims management company or a solicitor;
- (4) the number of consumer responses to provisional redress decisions that (in accordance with *CONRED* 5.4.37R(2), *CONRED* 5.4.37R(3)

and *CONRED* 5.4.37R(4)(a)) were responded to in the (fourth and fifth scheme steps in *CONRED* 5.4) by the lender:

- (a) within a *7-day* period beginning on the day the response was received; and
 - (b) outside of the *7-day* period in (4)(a), including:
 - (i) the number of responses that were sent to a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of responses that were sent to a consumer not represented by a professional representative, such as a claims management company or a solicitor;
- (5) the number of *redress determinations* that (in accordance with *CONRED* 5.3.27R(5)(a) and *CONRED* 5.4.37R(5)) were:
- (a) where the lender received further details of the consumer's objection to the provisional redress decision:
 - (i) issued by the lender within *2 months* of the day the lender received the further details from the consumer; and
 - (ii) issued by the lender outside of the *2-month* period in (5)(a)(i), including:
 - (A) the number of *redress determinations* that were issued to a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (B) the number of *redress determinations* that were issued to a consumer not represented by a professional representative, such as a claims management company or a solicitor.
 - (b) where the lender received no further details of the consumer's objection within *1 month* of the lender's acknowledgement requesting further details from the consumer:
 - (i) issued by the lender within *2 months* of the date of expiry of that *1-month* period; and
 - (ii) issued by the lender outside of the *2-month* period in (5)(b)(i), including:

- (A) the number of *redress determinations* that were issued to a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (B) the number of *redress determinations* that were issued to a consumer not represented by a professional representative, such as a claims management company or a solicitor;
- (6) the number of *redress determinations* that (in accordance with *CONRED* 5.3.27R(7) and *CONRED* 5.4.37R(6)) were sent by the lender when the consumer did not respond to the provisional redress decision within 1 *month*:
 - (a) within 1 *month* of the expiry of that period; and
 - (b) outside of the 1-*month* period in (6)(a);
- (7) the number of redress payments made under the scheme:
 - (a) within 1 *month* of the consumer's acceptance of a *redress determination* (or provisional redress decision in *CONRED* 5.4.37R(3)); and
 - (b) outside of the 1-*month* period in (7)(a).

Notifications and reports to the FCA

- 5.9.21 G (1) *CONRED* 5.9.22R sets out the way in which lenders must report the information required by the *rules* in this section to the *FCA*. In most cases, all reporting must be done using the *FCA*'s RegData platform in response to RegData Information Requests that a lender will receive through the platform.
- (2) In some limited circumstances, the *FCA* may request that the information required by the *rules* in this section be sent to the *FCA* by email, rather than using the method set out in *CONRED* 5.9.22R(2). Where this is required, the *FCA* will give the lender 7 *days* written notice.
- 5.9.22 R (1) Notifications and other reports required by the *rules* in this section must be sent to the *FCA* using the method set out in (2) within the deadlines specified by the rules in this section.
- (2) Subject to the exception in (3), lenders must report all information and data required by the *rules* in this section through the *FCA*'s data collection platform 'RegData'.

- (3) The *FCA* may require a lender to report the information and data required by the *rules* in this section by email, in which event the *FCA* would give 7 *days* written notice of this requirement.
- (4) Lenders must ensure that the individual acting as their 'RegData Principal User' is:
 - (a) familiar with the reporting requirements in this section;
 - (b) monitoring incoming data reporting requests from the *FCA*; and
 - (c) allocating data reporting requests to the relevant individual.

- 5.9.23 R Where a reporting requirement in this section requires a lender to report the number of agreements 'by type of relevant arrangement', the lender should split the number of agreements reported into the following categories:
- (1) agreements in relation to which there was a discretionary commission arrangement;
 - (2) agreements in relation to which there was a very high commission arrangement;
 - (3) agreements in relation to which there was a tied arrangement;
 - (4) agreements in relation to which there was a discretionary commission arrangement and a very high commission arrangement;
 - (5) agreements in relation to which there was a discretionary commission arrangement and a tied arrangement;
 - (6) agreements in relation to which there was a very high commission arrangement and a tied arrangement; and
 - (7) agreements in relation to which there was a discretionary commission arrangement, a very high commission arrangement and a tied arrangement.

5.10 Record-keeping requirements

- 5.10.1 R (1) A *firm* must keep the following records:
- (a) evidence of each communication sent in accordance with this chapter;
 - (b) a copy of each communication, *redress determination* and provisional redress decision sent in accordance with this chapter;

- (c) a record of any attempts to contact the consumer or obtain further information in accordance with *CONRED 5.7*;
 - (d) a record of any full and final settlement offers made to the consumer under *CONRED 5.2.7R(1)*;
 - (e) a record of any full and final settlement offers accepted by the consumer;
 - (f) the completed assessment for each scheme case assessed under the fourth scheme step; and
 - (g) all information on the consumer file and information received from the consumer.
- (2) Lenders and credit brokers must keep the records required by (1) for a minimum of 5 years from the date of their creation or (for the records in (1)(g)) the date when the information is located on the consumer file or obtained.

5.11 Publication of data

- 5.11.1 R The *FCA* may publish the data that was reported to the *FCA* in accordance with *CONRED 5.9* for each lender every 6 *months* during the period of the *scheme*.

5 Annex 1 Relevant records and information

- 5 Annex 1.1 G In gathering the information to determine whether a particular motor finance agreement is a scheme case, whether one or more relevant arrangements are present, whether there has been adequate disclosure of the relevant arrangements and whether redress is payable and the amount, the lender may consider the following sources of information:
- (1) records which detail the arrangements between the lender and the credit broker, such as (but not limited to) the rates and terms and terms of business, and which set out:
 - (a) the commission arrangements agreed between the parties and the minimum and maximum interest rates applicable;
 - (b) the terms of engagement or business between the lender and the credit broker, including (among other things) any ties or oversight arrangements by the lender with respect to the activities of the credit broker; or
 - (c) any financial records of the lender or the credit broker which show the amount of commission paid in respect of the motor finance agreement;

- (2) records which detail arrangements between:
 - (a) the lender and the manufacturer of the motor vehicle in the scheme case, such as (but not limited to) any terms of engagement or business between the lender and the manufacturer, and any oversight arrangements applying to the activities of the lender when using a trading name or branding commonly associated with motor vehicles manufactured by the manufacturer;
 - (b) the manufacturer of the motor vehicle and the credit broker in the scheme case, such as (but not limited to) any terms of engagement or business between the manufacturer and the credit broker, and any oversight arrangements applying to the activities of the credit broker when using a trading name or branding commonly associated with motor vehicles manufactured by the manufacturer;
- (3) personalised records with respect to the consumer, detailing the relationship between the consumer and either the lender or the credit broker, such as, but not limited to:
 - (a) an initial disclosure document;
 - (b) any motor finance agreement;
 - (c) any agreement detailing the credit arrangements between the consumer and the lender (if different from (b));
 - (d) any pre-contractual documents or explanations provided to the consumer by either the lender or the credit broker, such as, but not limited to, any credit broking information notice provided in accordance with *CONC* 4.4.3R;
 - (e) any records or documents created by the lender or the credit broker contemporaneously with the provision of information to the consumer, confirming that such information was provided (for example, a digital record generated by a data management system);
 - (f) any contemporaneous screenshots of data, extracted directly from the lender's or the credit broker's data management system, recording information directly referable to a motor finance agreement with a consumer;
 - (g) any personalised correspondence, file notes or other records recording communications between a consumer and either a lender or the credit broker with respect to a motor finance agreement with that consumer; and

- (h) any creditworthiness assessment undertaken by either the lender or the credit broker with respect to a consumer (such as, but not limited to, any assessment undertaken under *CONC* 5.2A); and
- (4) any other evidence which either supplements the evidence in (1) to (3) or, in the absence of that evidence, provides a basis upon which to make reasonable assumptions in accordance with these rules, such as (but not limited to):
 - (a) transactional data which indicates at least some degree of detail about the relevant arrangements with respect to a consumer, including (but not limited to):
 - (i) the start date or execution date of a motor finance agreement;
 - (ii) the term of the loan or repayment;
 - (iii) the amount of credit provided;
 - (iv) the consumer's postcode (or portions of it);
 - (v) the total charge for credit;
 - (vi) the total realised cost of credit;
 - (vii) the annual percentage rate of charge;
 - (viii) the date the first regular payment or charge was due or made under the agreement;
 - (ix) the date the last regular payment was due or made under the agreement;
 - (x) the date by which any fee associated with taking ownership of the vehicle was due or made under the agreement; and
 - (xi) the date of any early settlement payment under the motor finance agreement;
 - (b) any structured data (for example, set out in spreadsheets) created by the lender or the credit broker from data held on its data management systems relating to its general approach with respect to motor finance agreements at a particular point in time;
 - (c) general corporate records setting out the lender's or the credit broker's approach with respect to motor finance agreements at a particular point in time, such as (but not limited to) board or

committee papers or minutes and general policies and procedures;

- (d) general corporate records setting out the nature of any arrangements the lender may have had with the motor vehicle manufacturer at a particular point in time;
- (e) general corporate records setting out the nature of any arrangements the credit broker may have had with the motor vehicle manufacturer at a particular point in time;
- (f) general corporate records setting out the lender's or the credit broker's approach with respect to due diligence, regulatory developments and regulatory compliance;
- (g) records of 'welcome packs' (if any) provided by the lender or the credit broker to the consumer;
- (h) standardised or template marketing, disclosure or communications materials;
- (i) policies or other corporate records setting out standards or requirements relating to:
 - (i) the presentation of the credit broker's premises to consumers (such as site design and layout standards);
 - (ii) communication, disclosure or marketing materials (including the use of names or branding commonly associated with motor vehicles commonly associated with a manufacturer);
- (j) records relating to the monitoring of, or compliance with, the standards or requirements mentioned in (i);
- (k) any other records not otherwise covered above which may be relevant to the lender's assessment of scheme cases in accordance with *CONRED* 5.3 and redress calculations in accordance with *CONRED* 5.4 such as, but not limited to, vehicle sales invoices, profit sheets, credit checks and part-exchange documentation.

5 Annex 2 Provisional redress decision for scheme cases

5 Annex 2.1 R This annex belongs to *CONRED* 5.2.7R(1), *CONRED* 5.2.14R(3)(a), *CONRED* 5.3.20R(2)(a), *CONRED* 5.3.26R(2)(a), *CONRED* 5.4.6R(2)(a), *CONRED* 5.4.25R, *CONRED* 5.4.36R(2).

The communication must include the following information, where relevant:

- (1) the lender's assessment of:
 - (a) whether the scheme case included any of the features giving rise to an unfair relationship under *CONRED* 5.2.19R; and
 - (b) whether there was an unfair relationship and the reasons for the lender's decision;
- (2) if there was an unfair relationship, a statement as to whether it caused loss or damage and the reasons for the lender's decision;
- (3) if there was no unfair relationship that caused loss or damage, a statement that no redress is due under the scheme;
- (4) if there was an unfair relationship that caused loss or damage:
 - (a) the total amount of redress payable to the consumer as an offer in full and final settlement of all claims against the lender within the subject matter of the scheme relating to the agreement, with the amount of compensatory interest as part of that redress clearly specified; and
 - (b) details of the calculations to determine the total amount of redress, clearly setting out the methodology used, any evidential assumptions and reconstructions relied on, the amount of compensatory interest included in these calculations and any proposed set-off for undisputed arrears or default sums;
- (5) if the lender determines, in accordance with *CONRED* 5.2.14R(3)(a), not to proceed with the case because the consumer opted in more than 6 months after being sent the opt-in communication:
 - (a) a statement of the date on which the consumer was sent the opt-in communication, the date of any opt-in follow-up communication, and the date by which the consumer was required to opt in to the scheme;
 - (b) a statement that the consumer did not opt in within the period required by the scheme and that, on that basis, no redress is due under the scheme; and
 - (c) an explanation that the time for opting in may be extended in exceptional circumstances, but that the lender does not consider any such circumstances to apply here;

- (6) information about the evidence relied on by the lender in reaching its decision, sufficient to explain the basis of that decision and to enable the consumer to challenge it;
- (7) if *CONRED* 5.4.6R applies, an explanation of the assessment of redress for hybrid cases with minimal cost of credit and reasons for that assessment;
- (8) a statement that compensatory interest has been calculated to the date of the provisional redress decision and that the final amount payable will be updated to reflect the date of payment;
- (9) information about any tax deducted from the redress payment;
- (10) information about any intention by the lender to apply set-off, including an explanation that the consumer may make representations as to why set-off should not be applied;
- (11) a statement that, if the consumer has been bankrupt or is in an individual voluntary arrangement, they should inform the lender and their insolvency practitioner of this communication, as this may affect who any compensation is paid to;
- (12) if the lender is making an early settlement offer under *CONRED* 5.2.7R:
 - (a) an explanation that the lender is making the offer without completing the remaining steps under the scheme; and
 - (b) a statement that the lender has calculated that the offer is no less than the maximum redress that the consumer could receive under the scheme.

5 Annex 2.2 R The communication must include the following information:

- (1) a statement that the consumer can accept the redress outcome immediately in full and final settlement of all claims against the lender relating to the subject matter of the scheme in respect of the case, including legal claims;
- (2) an explanation of how the consumer can accept the outcome and, if relevant, provide bank details or alternative payment instructions;

- (3) an explanation that, if the consumer disagrees with any aspect of the provisional redress decision, they must notify the lender within 1 *month* of the date of this communication;
- (4) a statement that, if the consumer does not notify the lender within 1 *month* that they disagree with the provisional redress decision, the lender will send a *redress determination* confirming the provisional redress decision; and
- (5) an explanation that the consumer may notify the lender within 1 *month* if they do not wish to have their case considered under the scheme.

5 Annex 3 Redress determination: scheme cases

5 Annex 3.1 R This annex belongs to *CONRED 5.2.16R(5)(a)*, *CONRED 5.2.16R(7)*, *CONRED 5.3.27R(5)(a)*, *CONRED 5.3.27R(7)*, *CONRED 5.4.25R*, *CONRED 5.4.37R(5)(a)*, *CONRED 5.4.37R(5)(b)*, *CONRED 5.4.37R(6)*.

The communication must include the following information, where relevant:

- (1) the lender's assessment of:
 - (a) whether the scheme case included any of the features giving rise to an unfair relationship under *CONRED 5.2.19R*; and
 - (b) whether there was an unfair relationship and the reasons for the lender's decision;
- (2) if there was an unfair relationship, a statement as to whether it caused loss or damage and the reasons for the lender's decision;
- (3) if there was no unfair relationship that caused loss or damage, a statement that no redress is due under the scheme;
- (4) if there was an unfair relationship that caused loss or damage:
 - (a) the total amount of redress payable to the consumer as an offer in full and final settlement of all claims against the lender within the subject matter of the scheme relating to the agreement, with the amount of compensatory interest as part of that redress clearly specified; and
 - (b) details of the calculations to determine the total amount of redress, clearly setting out the methodology used, any evidential assumptions and reconstructions relied on, the amount of compensatory interest included in these

calculations and any proposed set-off for undisputed arrears or default sums;

- (5) if the lender determines, in accordance with *CONRED* 5.2.14R(3), not to proceed with the case because the consumer opted in more than *6 months* after being sent the opt-in communication:
 - (a) a statement of the date on which the consumer was sent the opt-in communication, the date of any opt-in follow-up communication, and the date by which the consumer was required to opt in to the scheme;
 - (b) a statement that the consumer did not opt in within the period required by the scheme and that, on that basis, no redress is due under the scheme; and
 - (c) an explanation that the time for opting in may be extended in exceptional circumstances, but that the lender does not consider any such circumstances to apply here;
- (6) if the consumer has formally objected to a provisional redress decision, an explanation of how the lender has considered the objection, including any evidence the consumer submitted and how any redress calculations have changed, where appropriate, from the provisional redress decision;
- (7) a statement that the lender will pay the amount of redress within *1 month* of the date of the receipt of consumer's acceptance by bank transfer unless the consumer provides alternative payment instructions;
- (8) an explanation of how the consumer can accept the offer and provide bank details or alternative payment instructions;
- (9) information about the evidence relied on by the lender in reaching the *redress determination*, sufficient to explain the basis of that determination and to enable the consumer to challenge it;
- (10) a statement that compensatory interest has been calculated to the date of the *redress determination* and that the final amount payable will be updated to reflect the date of payment;
- (11) information about any tax deductions made from the redress payment;

- (12) information about any redress amount applied by way of set-off against outstanding principal and, where appropriate, signposting to a not-for-profit debt advice body, including how the consumer may access that support, so that the consumer can consider whether they may wish to object to set-off being applied where they have priority debts;
- (13) a statement that, if the consumer has been bankrupt or is in an individual voluntary arrangement, they should inform the lender and their insolvency practitioner about this communication, as this may affect who any compensation is paid to;
- (14) an explanation that the consumer may notify the lender if they do not wish their case to be considered further under the scheme, and of the mechanism for doing so; and
- (15) one of the following communication codes:
 - (a) RD03 – no unfair relationship and no redress (no relevant arrangement, including excepted relevant arrangements);
 - (b) RD04 – no unfair relationship and no redress (rebuttal); or
 - (c) RD05 – redress due, calculation provided.

This must be included clearly for the purposes of *Financial Ombudsman Service* identification.

5 Annex 3.2 R The communication must include the following information:

- (1) a statement that the consumer may accept the redress outcome immediately in full and final settlement of all claims relating to the subject matter of the scheme in relation to the case, including any legal claims;
- (2) a reminder that the consumer has the right to complain to the *Financial Ombudsman Service*, even if redress is paid under the scheme. The reminder should also explain the time limits for referring the complaint to the *Financial Ombudsman Service*;
- (3) a statement that if the consumer refers the *complaint* to the *Financial Ombudsman Service*, the *Financial Ombudsman Service* will consider the *complaint* against what, in its opinion, the outcome should have been under the scheme rather than by reference to what is, in the *Financial Ombudsman Service*'s opinion, fair and reasonable in all the circumstances of the case; and

- (4) details on how to contact the *Financial Ombudsman Service*.

5 Annex 4 Provisional redress decision to customers who have previously complained where the scheme case does not include a relevant arrangement

5 Annex 4.1 R This annex belongs to *CONRED* 5.2.9R(2)(e)(i). The communication must include the following information:

- (1) a statement to the consumer of the existence of the scheme and its subject matter;
- (2) an explanation of the relevant arrangements for identifying an unfair relationship;
- (3) a statement that no relevant arrangement was identified in relation to the consumer's agreement, or that, although an arrangement was present, it was not a relevant arrangement because an exception applies, and setting out the amount of commission that was paid in relation to the agreement;
- (4) a statement that, as a result, no redress is due;
- (5) information about the evidence the lender has relied on to reach its decision, sufficient to explain why the lender has determined that the case does not include a relevant arrangement;
- (6) if there are other parts of the consumer's *complaint* that are not dealt with under the scheme, an explanation of how the lender is dealing with these parts;
- (7) a statement that the consumer can accept the redress outcome immediately in full and final settlement of all claims against the lender relating to the subject matter of the scheme in respect of the case, including legal claims;
- (8) an explanation of how the consumer can accept the outcome;
- (9) an explanation that, if the consumer disagrees with any aspect of the provisional redress decision, they must notify the lender within 1 *month* of the date of this communication;
- (10) a statement that, if the consumer does not notify the lender within 1 *month* that they disagree with the provisional redress decision, the lender will send a *redress determination* confirming the provisional redress decision; and
- (11) an explanation that the consumer may notify the lender within 1 *month* if they do not wish to have their case considered under the scheme.

5 Annex 5 Redress determination to customers who have previously complained confirming they are not a scheme case

- 5 Annex 5.1 R This annex belongs to *CONRED* 5.2.9R(2)(b)(i). The communication must include the following information:
- (1) a statement informing the consumer of the existence of the scheme and its subject matter;
 - (2) a statement informing the consumer that the lender has assessed their *complaint* and that it does not meet the conditions of a scheme case;
 - (3) an explanation of the reason why the case is not a scheme case;
 - (4) a statement that the consumer may accept the redress outcome immediately in full and final settlement of all claims relating to the subject matter of the scheme in relation to the case, including any legal claims;
 - (5) a reminder that the consumer has the right to complain to the *Financial Ombudsman Service*. The reminder should also explain the time limits for referring the *complaint* to the *Financial Ombudsman Service*;
 - (6) the *final response* to the consumer's *complaint*, as required by *DISP* 1.6.2R(1), explaining that this could be referred to the *Financial Ombudsman Service* to determine by reference to what is, in the *Financial Ombudsman Service*'s opinion, fair and reasonable in all the circumstances of the case;
 - (7) details on how to contact the *Financial Ombudsman Service*;
 - (8) one of the following communication codes, as relevant:
 - (a) 'RD01 – not a scheme case (time-barred)'; or
 - (b) 'RD02 – not a scheme case (other reason)'.

This must be included clearly for the purposes of *Financial Ombudsman Service* identification.

5 Annex 6 Opt-in invitations to customers who have not already complained confirming they are a scheme case and asking if they want to opt-in

- 5 Annex 6.1 R This annex belongs to *CONRED* 5.2.11R(2)(c). The communication must include the following information:

- (1) a statement informing the consumer of the existence of the scheme and its subject matter;
- (2) a statement that the consumer's motor finance agreement is within the subject matter of the scheme;
- (3) an explanation that the lender has identified at least 1 relevant arrangement that may give rise to an unfair relationship and that, as a result, the consumer may be owed redress under the scheme;
- (4) an explanation that the consumer must opt in to the scheme for the lender to proceed with the next steps under the scheme;
- (5) an explanation of how the consumer can notify the lender if they want to opt in; and
- (6) a statement that the consumer must opt in within 6 *months* starting with the day the communication is sent by the lender.

5 Annex 7 Redress determination to customers who have not previously complained confirming they are not a scheme case

5 Annex 7.1 R This annex belongs to *CONRED* 5.2.11R(2)(d). The communication must include the following information:

- (1) a statement informing the consumer of the existence of the scheme and its subject matter;
- (2) an explanation of:
 - (a) the details of the relevant arrangements identified in their case; and
 - (b) that their agreement is not a scheme case because the condition in *CONRED* 5.1.17R(1)(g) is not met, and the reasons for that assessment;
- (3) a statement that the consumer may accept the redress outcome immediately in full and final settlement of all claims relating to the subject matter of the scheme in relation to the case, including any legal claims;
- (4) a reminder that the consumer has the right to complain to the *Financial Ombudsman Service*. The reminder should also explain the time limits for referring the complaint to the *Financial Ombudsman Service*;
- (5) a statement that if the consumer refers the *complaint* to the *Financial Ombudsman Service*, the *Financial Ombudsman Service* will consider the *complaint* against what, in its opinion, the outcome

should have been under the scheme rather than by reference to what is, in the *Financial Ombudsman Service's* opinion, fair and reasonable in all the circumstances of the case;

- (6) details on how to contact the *Financial Ombudsman Service*; and
- (7) the following communication code: RD01 – not a scheme case (time-barred). This must be included clearly for the purposes of *Financial Ombudsman Service* identification.

5 Annex 8 Opt-in follow-up communications to consumers who have not responded

- 5 Annex 8.1 R This annex belongs to *CONRED* 5.2.14R(1). The communication must include the following information:
- (1) a statement informing the consumer of the existence of the scheme and its subject matter;
 - (2) a statement about the lender's previous attempts to contact the consumer;
 - (3) a statement that the consumer's agreement is a scheme case and includes at least 1 relevant arrangement;
 - (4) an explanation that the lender has identified at least 1 arrangement which may give rise to an unfair relationship and that, as a result, the consumer may be owed redress under the scheme;
 - (5) an explanation that the consumer must opt in if the lender is to proceed with considering the case under the scheme;
 - (6) an explanation of how the consumer can notify the lender if they want to opt in; and
 - (7) a statement that the consumer must opt in within 6 *months* starting with the day the original opt-in communication was sent.

5 Annex 9 Provisional redress decision to customers who have previously complained where the lender cannot determine, because records or information are missing or insufficient, whether the case is a scheme case and requires further information

- 5 Annex 9.1 R This annex belongs to *CONRED* 5.2.30R. The communication must include the following information:
- (1) a statement informing the consumer of the existence of the scheme and its subject matter;
 - (2) an explanation of why the lender has not been able to determine, on the basis of the records and information currently available, whether

the case is a scheme case and includes one or more relevant arrangements and, therefore, no redress is likely to be due to the consumer under the scheme;

- (3) a summary of the steps that the lender has taken to obtain relevant records and information;
- (4) a statement that the consumer can accept the redress outcome immediately in full and final settlement of all claims against the lender relating to the subject matter of the scheme in respect of the case, including legal claims;
- (5) an explanation of how the consumer can accept the outcome;
- (6) an explanation that, if the consumer disagrees with any aspect of the provisional redress decision, they must notify the lender within 1 *month* of the date of this communication and provide any supporting evidence;
- (7) a statement that, if the consumer does not notify the lender within 1 *month* that they disagree with the provisional redress decision, the lender will send a *redress determination* confirming the provisional redress decision; and
- (8) an explanation that the consumer may notify the lender within 1 month if they do not wish to have their case considered under the scheme, and how they may do so.

5 Annex 10 Acknowledgement of challenge to provisional redress decisions

5 Annex 10.1 R This annex belongs to *CONRED* 5.2.16R(4)(a), *CONRED* 5.3.27R(4)(a) and *CONRED* 5.4.37R(4)(a). The communication must include the following information:

- (1) a statement acknowledging that the consumer disagrees with the provisional redress decision;
- (2) an invitation for the consumer to provide further details of their objection, including any supporting evidence supporting the objection, within 1 *month* of the date of this acknowledgment;
- (3) a summary of the evidence the lender relied on in reaching the provisional redress decision, sufficient to enable the consumer to understand and challenge that decision;
- (4) a statement that, if the consumer provides a formal objection within 1 *month* of the date of this acknowledgment, the lender will consider

that objection within 2 *months* of receiving it and send the consumer a *redress determination* or a further provisional decision; and

- (5) a statement that, if the consumer provides no formal objection within 1 *month* of the date of this acknowledgment, the lender will proceed to issue a *redress determination* unless an exceptional circumstance apply.

5 Annex Consumer factsheets

11

- 5 Annex 11.1 R Factsheet 1: <https://www.fca.org.uk/publication/information-sheets/motor-finance-scheme-factsheet-customers-invited.pdf>
Factsheet 2: <https://www.fca.org.uk/publication/information-sheets/motor-finance-scheme-factsheet-customers-complained-lender.pdf>

Amend the following as shown. Underlining indicates new text and striking through indicates deleted text.

Sch 1 Record keeping requirements

Sch 1.3 G

Sch 1.4 G [Editor's note: insert the requirements from CONRED 5.10 in tabular form]

Sch 1.5 G [Editor's note: insert the requirements from CONRED 6.10 in tabular form]

Sch 2 Notification requirements

...

Sch 2.2 G ...

Sch 2.3 G [Editor's note: insert the notification requirements from CONRED 5.1.8R and CONRED 5.9]

Sch 2.4 G [Editor's note: insert the notification requirements from CONRED 6.1.8R and CONRED 6.9]

Sch 3 Fees and other required payments

Sch 3 There are no provisions for fees in *CONRED*. As noted in *CONRED* 2.5.19G ~~and~~ *CONRED* 4.5.9G, CONRED 5.5.11G and *CONRED* 6.5.11G, a fee is payable in any case where the *FCA* exercises its powers under *CONRED* 2.5.12R ~~or~~ *CONRED* 4.5.1R, CONRED 5.5.1R or CONRED 6.5.1R to take steps instead of a firm, or appoint one or more competent persons to do so. This fee is as specified in the table at *FEES* 3.2.7R.

**MOTOR FINANCE COMMISSION CONSUMER REDRESS SCHEME (2007-2014)
INSTRUMENT 2026**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under the following sections of the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 139A (Power of the FCA to give guidance);
 - (4) section 395 (The FCA’s and PRA’s procedures);
 - (5) section 404(3) (Consumer redress schemes); and
 - (6) section 404A (Rules under s.404: supplementary).
- B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 31 March 2026.

Amendments to the Handbook

- D. The Consumer Redress Schemes sourcebook (CONRED) is amended in accordance with the Annex to this instrument.

Notes

- E. In the Annex to this instrument, the notes (indicated by “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the Motor Finance Commission Consumer Redress Scheme (2007-2014) Instrument 2026.

By order of the Board
26 March 2026

Annex

Amendments to the Consumer Redress Schemes sourcebook (CONRED)

Insert the following new chapter, CONRED 6 (Motor finance commission consumer redress scheme (2007-2014)), after CONRED 5 (Motor finance commission consumer redress scheme 2014-2024)). All the text is new and is not underlined.

6 Motor finance commission consumer redress scheme (2007-2014)

6.1 Interpretation, application and subject matter of the scheme

Definitions used in this chapter

6.1.1 R For the purposes of this chapter:

- (1) 'Annual percentage rate of charge' means the rate of the total charge for credit, expressed as an annual percentage of the total amount of credit, calculated in accordance with regulations made under section 20 of the *CCA*.
- (2) 'Commission' has the meaning given in *CONRED* 6.1.3(1).
- (3) *Complaint* includes:
 - (a) a relevant motor finance DCA complaint; and
 - (b) a motor finance non-DCA complaint,
 as each of those types of *complaint* are respectively defined in *DISP* App 5.1.2R and *DISP* App 5.1.3AR.
- (4) 'Consumer' means any individual falling within the meaning of 'consumers' in section 404E of the *Act* and includes:
 - (a) a partnership consisting of 2 or 3 persons not all of whom are bodies corporate; and
 - (b) an unincorporated body of persons which does not consist entirely of bodies corporate and is not a partnership.
- (5) 'Credit broker' means:
 - (a) a *credit broker*; or
 - (b) a person who was, at the time the relevant motor finance agreement was entered into, carrying on the business of credit brokerage pursuant to a licence issued by the Office of Fair Trading (OFT) under the *CCA*.

- (6) 'Disclosure information' means the information described in *CONRED* 6.3.10R(1)(a) to (c).
- (7) 'Durable medium' means, in writing:
 - (a) on paper; or
 - (b) using any instrument which:
 - (i) enables the recipient to store information addressed personally to the recipient in a way that is accessible for future reference and for a period of time adequate for the purposes of the information;
 - (ii) allows the unchanged reproduction of the information stored; and
 - (iii) is not communicated by way of a social media platform, a short message service (SMS) or another similar commercial messaging service.
- (8) 'Early settlement payment' means any payment to fully or partially discharge the consumer's indebtedness under a motor finance agreement before the time fixed by that agreement, taking into account any rebate calculated in accordance with the formula at regulation 4 of the Consumer Credit (Early Settlement) Regulations (SI 2004/1483).
- (9) 'High commission arrangement' means an arrangement under which the total amount of commission was at least:
 - (a) 39% of the total charge for credit; and
 - (b) 10% of the total amount of credit.
- (10) 'Implementation period' means a period of 5 *months* beginning with the scheme effective date.
- (11) 'Lender' means:
 - (a) a *lender*; or
 - (b) a person who was, at the time the relevant motor finance agreement was entered into, carrying on a consumer credit business pursuant to a licence issued by the OFT under the *CCA*.
- (12) 'Motor finance agreement' means a credit agreement which was a regulated agreement within the meaning of section 189(1) of the *CCA* which, in whole or in part, financed the purchase of a motor vehicle or under which a motor vehicle was bailed or hired.

- (13) 'Motor vehicle' means a mechanically propelled vehicle intended or adapted for use on roads to which the public has access.
- (14) 'Opt-in' means a written notification from, or on behalf of, a consumer indicating that the consumer agrees for their scheme case to be assessed for liability under the scheme.
- (15) 'Opt-out' means a written notification from, or on behalf of, a consumer indicating that the consumer does not want their scheme case to be assessed for liability under the scheme.
- (16) 'Primary records' means records of the type described in *CONRED* 6 Annex 1.1G(1) to (3).
- (17) 'Priority debt' means an obligation on the part of a consumer to make a payment:
 - (a) where the remedies for a breach of that obligation potentially include seeking possession of, or seeking to exercise a power of sale in respect of:
 - (i) the sole or main residence of the consumer (for example, an obligation to pay secured by a mortgage or charge in respect of land, an obligation to pay rent under a tenancy, or an obligation to make payment under a licence to occupy land); or
 - (ii) the consumer's essential goods or services (for example, an obligation to pay under a hire purchase, conditional sale or hire agreement that relates to, or an obligation to pay secured by a charge on, the consumer's cooker, refrigerator, or the means to travel to work); or
 - (b) where that obligation arises out of an order of the court, an Act or secondary legislation (for example, an obligation to pay council tax, child support maintenance, income tax or court fines); or
 - (c) where that obligation arises under a contract for the provision of utility supplies (for example, water, gas or electricity).
- (18) 'Relevant arrangement' has the meaning given in *CONRED* 6.2.19R(1) to (4).
- (19) 'Scheme' means the *consumer redress scheme* created by this chapter.
- (20) 'Scheme case' means a case that satisfies each of the conditions in *CONRED* 6.1.17R.
- (21) 'Scheme effective date' means 31 March 2026 and is the date that the scheme created by this chapter comes into force.

- (22) ‘Secondary records’ means:
- (a) contemporaneous records of the type described in *CONRED* 6 Annex 1.1G(1) to (3) relating to other consumers who were in a sufficiently similar position as the consumer in the scheme case, and which include information that demonstrates the standard practices of the lender or the credit broker at the relevant time; or
 - (b) records of the type described in *CONRED* 6 Annex 1.1G(4).
- (23) ‘Successor’ means a person who is a creditor for the purposes of section 140A of the *CCA* by virtue of section 140C(2) of that Act.
- (24) ‘Tied arrangement’ means a contractual arrangement between a lender and a credit broker under which the credit broker is required to:
- (a) introduce consumers exclusively to the lender; or
 - (b) give the lender the option to provide an offer of credit to the consumer before the credit broker is entitled to approach another lender in respect of that consumer (including a ‘right of first refusal’ or an equivalent right of priority).
- (25) ‘Total amount of credit’ means the total sums made available under a motor finance agreement.
- (26) ‘Total charge for credit’ means the true cost to the borrower of the credit provided, or to be provided, under an actual or prospective motor finance agreement, calculated in accordance with regulations made under section 20 of the *CCA*.
- (27) ‘Total amount of commission’ has the meaning given in *CONRED* 6.1.3R(2).
- (28) ‘Unfair relationship provisions’ means sections 140A to 140C of the *CCA*.
- (29) ‘Very high commission arrangement’ means an arrangement under which the total amount of commission was at least:
- (a) 50% of the total charge for credit; and
 - (b) 22.5% of the total amount of credit.

6.1.2 G The words and phrases that are in italics in this chapter have the meaning set out in the *Glossary*.

Meaning of ‘commission’ and related expressions

6.1.3 R For the purposes of this chapter:

- (1) 'Commission' means any commission, fee or other financial consideration or remuneration payable (directly or indirectly) by a lender to a credit broker in connection with the entering into of a specific motor finance agreement.
- (2) 'Total amount of commission' means the sum of all commission payable in connection with the entering into of a specific motor finance agreement.
- (3) All references to commission 'payable' refer to the amount of commission that the credit broker was entitled to receive under the arrangements providing for the payment of commission.
- (4) In determining the amount of commission that was payable, the lender may refer to evidence of the actual amount of commission paid to a credit broker in connection with a specific motor finance agreement contained in its financial records (see *CONRED 6 Annex 1.1G(1)(c)*) if it is a reasonable proxy.
- (5) References to 'discretionary commission arrangement' are to be read as including any arrangement which would, if it had been entered into on or after 28 January 2021, have constituted a *discretionary commission arrangement*.

- 6.1.4 G (1) The definition of commission captures any commission, fee or other financial consideration or remuneration payable in connection with the entering into of a specific motor finance agreement. As such, it will not capture sums that were payable for meeting aggregated transaction, performance or 'volume' targets rather than attributable to specific motor finance agreements entered into by consumers. A sum payable for meeting a target based on a specified cumulative total of transactions is not captured because that sum is not referable to any specific transaction comprised in that cumulative total. Firms are not required to retrospectively apportion payments that were not attributable to specific transactions at the time.
- (2) By contrast, if a commission sum was at the time attributable to a specific motor finance agreement, it will be caught by these rules irrespective of the administrative arrangements for the settling of that sum with the credit broker. For example, a payment made to the credit broker's head office (rather than local dealership) which was calculated as a percentage of the total amount of credit is captured by the definition of commission, even if all such sums the credit broker was entitled to receive during a specified period (eg, over the year or per quarter) were in practice settled through a single administrative payment made at a later date. In these circumstances, each commission sum comprised in that payment is attributable to the entering into of a specific motor finance agreements rather than to the meeting of an 'aggregated' target.
 - (3) The definition of commission also captures commission that is payable indirectly. This will include where commission that a credit broker was

entitled to receive under the arrangements providing for the payment of commission were paid to the credit broker:

- (a) through an intermediary (including another credit broker); or
 - (b) by another third party on behalf of the lender (for example, under an arrangement where another company in the same *group* as the lender agreed to make the payment).
- (4) To identify the total amount of commission, the lender will need to calculate the sum of all commission payable in connection with the entering into of the relevant motor finance agreement. This will mean, for example, that:
- (a) where commission was payable under more than one type of commission arrangement (for example, where commission was payable under both a discretionary commission arrangement and a fixed fee commission arrangement), the total amount of commission is the sum of the commission payable under each type of commission arrangement;
 - (b) it does not matter if different commission sums within the total amount of commission were payable to different administrative functions of the credit broker, or at different points in time (see also (2) above); and
 - (c) where commission was payable to more than one credit broker in connection with the entering into of the same motor finance agreement, the total amount of commission is the sum of the commission payable to each of those credit brokers.

Further interpretation provisions: transactions involving more than one motor finance agreement

- 6.1.5 R (1) This *rule* applies where a single motor vehicle sales transaction was financed by more than one motor finance agreement.
- (2) The lender should treat the transaction as a single scheme case for the purposes of the steps required under this chapter.
- (3) Provisions requiring a determination of the following in respect of a scheme case are to be interpreted in accordance with (2):
- (a) whether one or more relevant arrangements is present; and
 - (b) whether there was a failure to provide adequate disclosure of one or more relevant arrangements giving rise to an unfair relationship that caused loss or damage (see third step in *CONRED* 6.3).
- (4) For the purposes of (3)(a):

- (a) the total amount of commission must be calculated by aggregating the total amount of commission for each motor finance agreement; and
 - (b) to identify whether the definitions of high commission arrangement or very high commission arrangement are met, the following must be calculated by aggregating the relevant values for each motor finance agreement:
 - (i) the total amount of commission;
 - (ii) the total charge for credit; and
 - (iii) the total amount of credit.
- (5) *CONRED* 6.4.23R applies for the purposes of calculating redress in scheme cases to which this rule applies.

Application to lenders

- 6.1.6 R (1) This chapter applies to a lender in respect of a motor finance agreement it entered into with a consumer:
- (a) in the circumstances described in (2);
 - (b) where the unfair relationship provisions apply in connection with the motor finance agreement; and
 - (c) where the consumer, at the time the agreement was entered into, was habitually resident in the *UK*.
- (2) The circumstances referred to in (1)(a) are that:
- (a) there were arrangements between the lender and a credit broker in connection with the entering into of the agreement relating to the payment of commission; and
 - (b) the agreement was entered into during the period beginning with 6 April 2007 and ending with 31 March 2014.
- 6.1.7 G The provisions of this scheme are without prejudice to any rights of indemnity or contribution a lender may have against a credit broker under the contractual arrangements between them or pursuant to the Civil Liability (Contribution) Act 1978.

Application to credit brokers

- 6.1.8 R The following provisions apply to a credit broker:
- (1) *CONRED* 6.1.9R;
 - (2) *CONRED* 6.2.23G;

- (3) *CONRED* 6.2.28R;
- (4) *CONRED* 6.3.6R;
- (5) *CONRED* 6.4.29;
- (6) *CONRED* 6.5.6R; and
- (7) *CONRED* 6.9.1R.

6.1.9 R Where a credit broker receives a *complaint* in relation to the subject matter of the scheme, it must:

- (1) forward the *complaint* to the lender; and
- (2) inform the consumer that the *complaint* has been forwarded to the lender.

Application to successor where lender is insolvent or has ceased to exist

6.1.10 R (1) Where the conditions in (2) are met, this chapter applies to the following *person* as if it were the lender in scope of *CONRED* 6.1.6R:

- (a) for a motor finance agreement with a single successor, the successor; or
- (b) for a motor finance agreement with multiple successors, the *person* who became a successor first in time.

(2) The conditions are:

- (a) the motor finance agreement was entered into with a consumer by another *person*; and
- (b) (i) that *person* is a lender in scope of *CONRED* 6.1.6R and is subject to insolvency proceedings; or
- (ii) that *person* would have been a lender in scope of *CONRED* 6.1.6R but for the fact it ceased to exist before the scheme effective date.

Application to successors generally

6.1.11 R Subject to *CONRED* 6.1.10R, the following provisions apply to successors in respect of a motor finance agreement:

- (1) *CONRED* 6.1.14G;
- (2) *CONRED* 6.2.6R;
- (3) *CONRED* 6.4.42R;

(4) *CONRED* 6.4.43G; and

(5) *CONRED* 6.9.1R.

6.1.12 R Notwithstanding *CONRED* 6.1.10R and *CONRED* 6.1.11R, this chapter does not apply to a successor in respect of a motor finance agreement if that *person* became the successor after the fixed term of the motor finance agreement expired.

6.1.13 G (1) The definition of successor means that a *person* who has been assigned rights under a motor finance agreement will only be in scope if there was a legal assignment under section 136 of the Law of Property Act 1925, with notice being given to the consumer.

(2) A successor may be in scope of this scheme even if it is an *unauthorised person* because of the expanded definition of a relevant firm in section 404F(5) of the *Act*.

6.1.14 G The provisions of this scheme are without prejudice to any rights of indemnity or contribution a successor may have against a lender under the contractual arrangements between them or pursuant to the Civil Liability (Contribution) Act 1978.

Duration of the scheme

6.1.15 R The scheme comes into force on the scheme effective date and has no end date.

Subject matter of the scheme

6.1.16 R The subject matter of the scheme is whether, in a scheme case, there was inadequate disclosure of any of the following in connection with the entering into of a motor finance agreement:

- (1) a discretionary commission arrangement;
- (2) the payment of commission;
- (3) a tied arrangement; or
- (4) any other arrangement between a lender and a credit broker under which the credit broker was incentivised (directly or indirectly) to introduce consumers wishing to enter into motor finance agreements to that lender.

Scheme case

6.1.17 R (1) A 'scheme case' is a case that satisfies each of the following conditions:

- (a) it involves a motor finance agreement falling within *CONRED* 6.1.6R;
- (b) the motor finance agreement was not cancelled;

- (c) commission was payable (directly or indirectly) by the lender to a credit broker in connection with the entering into of the motor finance agreement;
 - (d) subject to (2), where the motor finance agreement was entered into on or after 6 April 2008, the total amount of credit did not exceed the amount specified in the second column of the table in *CONRED* 6.1.18R for the year in which the motor finance agreement was entered into;
 - (e) subject to *CONRED* 6.1.19R, the consumer has not accepted an offer of redress from the lender or the credit broker:
 - (i) for a claim directly arising out of a motor finance agreement in (a) that falls within the subject matter of this scheme; or
 - (ii) in full and final settlement of all potential claims in connection with the consumer's motor finance agreement;
 - (f) the motor finance agreement in (a) has not been the subject of:
 - (i) court proceedings where there has been a decision on the merits in relation to a claim falling within the subject matter of the scheme; or
 - (ii) a *complaint* by the consumer to the *Financial Ombudsman Service* that falls within the subject matter of the scheme and where the merits of that *complaint* have been considered by the *Financial Ombudsman Service*; and
 - (g) the lender determines, after having regard to the *rules and guidance* in *CONRED* 6.1.20G to *CONRED* 6.1.24R, that if the consumer brought a claim falling within the subject matter of the scheme against the lender under section 140A of the *CCA*:
 - (i) the limitation period (in England and Wales, and Northern Ireland) would not have expired before the rules creating the scheme were made; or
 - (ii) the claim would not be precluded by a period of prescription (in Scotland).
- (2) The condition in (1)(d) does not apply where the motor vehicle to which the motor finance agreement relates was constructed or adapted to enable a person with a disability to travel in the vehicle as a driver or a passenger (and 'disability' has the same meaning as in section 6(1) of the Equality Act 2010).

- (3) For the purposes of this *rule*, ‘cancelled’ means that the consumer exercised a statutory or contractual right of withdrawal or cancellation within an initial notice or ‘cooling off’ period which resulted in the motor finance agreement being cancelled (including where the motor finance agreement was cancelled because the consumer exercised a right to cancel an agreement for the supply of the motor vehicle).

- 6.1.18 R Table: Threshold for exclusion from being a scheme case for the purposes of *CONRED* 6.1.17R(1)(d).

Year	Total amount of credit
2007 (See Note)	N/A
2008 (See Note)	£38,000
2009	£39,000
2010	£43,000
2011	£45,000
2012	£47,000
2013	£51,000
2014	£56,000
[Note: Before 6 April 2008 a personal credit agreement that provided credit exceeding £25,000 fell outside the definition of a regulated agreement for the purposes of the <i>CCA</i> and so would not be a motor finance agreement for the purposes of the scheme. As such the exception in <i>CONRED</i> 6.1.17(1)(d) does not apply in respect of agreements entered into before that date.]	

- 6.1.19 R The condition in *CONRED* 6.1.17R(1)(e) does not apply if a lender or the credit broker has defaulted in its obligation to make the payment by the agreed date.

Extension of limitation periods for unfair relationship provisions: general

- 6.1.20 G Pursuant to section 404(8) of the *Act*, a lender should conduct the assessment of limitation in *CONRED* 6.1.17R(1)(g) with reference to the position on 25 March 2026 (which is the day before the scheme *rules* were made).

Extension of limitation periods for unfair relationship provisions: England and Wales

- 6.1.21 G (1) The limitation period for a claim under section 140A of the *CCA* seeking a monetary remedy is 6 years from the end of the credit relationship (which will normally be the end of the motor finance agreement) in England and Wales.
- (2) Under section 32(1)(b) of the Limitation Act 1980, if any fact relevant to the claimant's right of action has been deliberately concealed from them by the defendant or its agent (which may include the lender or the broker), the period of limitation will not begin to run until the claimant has discovered the concealment or could with reasonable diligence have discovered it.
- (3) In an unfair relationship claim under section 140A of the *CCA* arising out of the inadequate disclosure of a discretionary commission arrangement, high commission arrangement and/or tied arrangement, the facts relevant to the claimant's right of action will include the disclosure information described in *CONRED* 6.3.10R(1)(a) to (c) respectively.
- (4) In applying section 32(1)(b) of the Limitation Act 1980, the lender must apply section 56(2) of the *CCA*, which deems that relevant antecedent negotiations have been conducted by the negotiator (for example, the credit broker) in the capacity of the creditor (for example, the lender) as well as in their actual capacity.
- (5) Subject to (7), the fact or facts relevant to the claimant's right of action are likely to have been deliberately concealed, and the claimant is likely to be able to show that they could not with reasonable diligence have discovered them, to the extent that the information in *CONRED* 6.3.10R(1)(a) to (c), as applicable, was not clearly and prominently provided in the manner described in *CONRED* 6.3.10R(2) to (4).
- (6) It is unlikely that, where (5) applies, disclosure of the bare fact, or possibility, of commission being payable (for example, that commission 'would' be, 'may' be, 'is' or 'is typically' payable) will be sufficient for the defendant to argue either that there has not been any deliberate concealment of the facts relevant to the claimant's right of action, or that the claimant could with reasonable diligence have discovered all such relevant facts. For example, even if there was disclosure that a commission would be paid, it is unlikely that a disclosure of this nature would, in and of itself, be sufficient to mean that there was no concealment of the fact that the credit broker was permitted to select the interest rate provided for under the motor finance agreement in a way that affected the amount of commission that would be received by the credit

broker. Nor is it likely that the claimant could, with reasonable diligence, have discovered that fact based on such a disclosure.

- (7) It is likely that the defendant will be able to demonstrate that the claimant could, with reasonable diligence, have discovered the facts relevant to their right of action such that the period of limitation will have begun to run from the end of the motor finance agreement (see (1)) where:
 - (a) the unfair relationship claim relates solely to a high commission arrangement; and
 - (b) there was clear and prominent disclosure, in the manner described in *CONRED* 6.3.10R(2) to (4), of the bare fact of, or possibility of, commission being payable (for example, that commission ‘would’ be, ‘may’ be, ‘is’ or ‘is typically’ payable), but not of the amount of commission payable to the credit broker in respect of the consumer’s agreement (ie, the amount of commission in monetary terms or the method by which the commission amount would be calculated such that the consumer was able to understand its size) (see *CONRED* 6.3.10R(1)(b)).
- (8) In considering whether there was clear and prominent disclosure for the purposes of *CONRED* (5) and (7)(b), firms should have regard to *CONRED* 6.3.11G.

Extension of limitation periods for unfair relationship provisions: Northern Ireland

- 6.1.22 G (1) The limitation period for a claim under section 140A of the *CCA* seeking a monetary remedy is 6 years from the end of the motor finance agreement in Northern Ireland.
- (2) Under article 71(1)(b) of the Limitation (Northern Ireland) Order 1989 (SI 1989/1339 (N.I. 11)), if any fact relevant to the claimant’s right of action has been deliberately concealed from them by the defendant or its agent (which may include the lender or the credit broker), the period of limitation will not begin to run until the claimant has discovered the concealment or could with reasonable diligence have discovered it.
- (3) The *guidance* set out in *CONRED* 6.1.21G(3) to (8) applies.

Prescription period in Scotland for unfair relationship claims

- 6.1.23 G (1) In Scotland, time limits – referred to as prescription – applicable to bringing a legal claim are governed by the Prescription and Limitation (Scotland) Act 1973 (‘the 1973 Act’).
- (2) The 1973 Act does not impose a period of prescription on an unfair relationship claim under section 140A of the *CCA*, or a remedy awarded pursuant to section 140B of the *CCA*.

Applicable law for the purposes of limitation

6.1.24 R For the purposes of *CONRED* 6.1.17R(1)(g), the applicable law is:

- (1) that of the *UK* territory where, in connection with the motor finance agreement:
 - (a) the consumer has agreed to the lender's *terms of business*; and
 - (b) those *terms of business* include a clause providing for the application of the law of a particular *UK* territory (that is, England and Wales, Northern Ireland or Scotland); or
- (2) (if (1) does not apply) that of the *UK* territory where both the lender entered into the motor finance agreement and the consumer was habitually resident at the time the motor finance agreement was entered into; or
- (3) (if neither (1) nor (2) apply) that of the *UK* territory where the consumer was habitually resident at the time the motor finance agreement was entered into; or
- (4) (if none of (1), (2) or (3) apply) that of the *UK* territory where the lender entered into the motor finance agreement.

Gibraltar-based firms

6.1.25 R This chapter applies to a *Gibraltar-based firm* in respect of motor finance agreements falling within *CONRED* 6.1.6R.

6.2 Consumer redress scheme: scheme steps and identifying scheme cases

Notice required during implementation period

6.2.1 R A lender must not take any scheme steps before the end of the implementation period unless the lender has provided the *FCA* with at least 15 *working days* prior notice of its intention to commence taking scheme steps.

6.2.2 G *CONRED* 6.9.4R sets out the information that a lender must include in a notice provided to the *FCA* to comply with *CONRED* 6.2.1R.

Overview of scheme steps

6.2.3 G The lender must take the following steps in this chapter in respect of each motor finance agreement as applicable:

- (1) first step – identify *complaints* it has received before the end of the implementation period;
- (2) second step – identify motor finance agreements in respect of which it does not have a *complaint*;

- (3) in respect of agreements identified under (1) and (2), in accordance with *CONRED* 6.2.9R and *CONRED* 6.2.11R, determine:
 - (a) which are scheme cases; and
 - (b) of the agreements that are scheme cases, whether there is one or more relevant arrangement present;
- (4) for scheme cases that have one or more relevant arrangement identified in the first step (existing complaints) proceed to the third step;
- (5) for scheme cases with one or more relevant arrangement identified in the second step, in accordance with *CONRED* 6.2.11R(2), invite the consumer to opt in to the scheme and, if the consumer opts in, proceed to the third step;
- (6) third step – in accordance with *CONRED* 6.3, determine whether an unfair relationship exists or existed and, if it did, whether the unfairness caused any loss or damage;
- (7) fourth step – calculate redress in accordance with *CONRED* 6.4;
- (8) fifth step – send a provisional redress decision and, if necessary a *redress determination*, in accordance with *CONRED* 6.4.36R and *CONRED* 6.4.37R.

Disapplication of DISP time limits for complaint handling

- 6.2.4 R (1) A *complaint* which is a:
- (a) relevant motor finance DCA complaint; or
 - (b) motor finance non-DCA complaint,
- must be handled by a lender in accordance with the *rules* in this chapter, including any applicable time limits, notwithstanding any *DISP* time limits that would apply to the *complaint* but for this provision.
- (2) This *rule* does not apply if a *complaint* falls outside the subject matter of the scheme.

Application of DISP to a mixed complaint

- 6.2.5 R Where a *complaint* is about matters that fall within the scheme and matters that do not, a lender must:
- (1) in relation to the matters that do not, send the consumer a *final response*; and
 - (2) as applicable, send the *final response* in (1):

- (a) no later than 1 *month* after a provisional redress decision is accepted by a consumer under the scheme; or
- (b) at the same time as sending a *redress determination* under the scheme.

Cooperation between lenders and successors

- 6.2.6 R (1) For scheme cases with one or more relevant arrangement, lenders must determine whether there are any successors and, where one or more is identified, keep the successor(s) informed of the steps taken by the lender.
- (2) Lenders and successors must cooperate with one another when carrying out their obligations under the scheme, including the sharing of information.
- (3) Where a successor receives a *complaint* and a lender is responsible under the scheme for assessing that *complaint*, the successor must forward the *complaint* promptly to the lender and inform the consumer or their personal representative that it has done so.

Early settlement of scheme cases

- 6.2.7 R (1) In relation to any scheme case, a lender may, at any time, make an offer to a consumer in the form of a provisional redress decision in a durable medium that includes the information set out in *CONRED* 6 Annex 2 to settle the case in full and final settlement of all claims relating to the subject matter of the scheme and which provides the consumer with 1 *month* to respond.
- (2) Where an offer is made under (1), the lender must demonstrate in the provisional redress decision that the amount of the offer is no less than the maximum redress that would be available under *CONRED* 6.4 and may, as part of the offer, apply set-off under *CONRED* 6.4.24R, where applicable.
- (3) Where the lender makes an offer in accordance with this *rule*, the lender is not required to complete any of the remaining steps set out in this chapter in relation to that motor finance agreement other than the fifth step.
- 6.2.8 G *CONRED* 6.4.37R and *CONRED* 6.4.38R set out the requirements on a lender following a response from a consumer to a provisional redress decision made under *CONRED* 6.2.7R(1). The *FCA* considers that a decision to revise the amount of redress offered following an objection from a consumer under *CONRED* 6.4.37R is limited to deciding whether the amount of redress was calculated in accordance with *CONRED* 6.2.7R(2).

First step: contacting consumers who have made complaints

- 6.2.9 R (1) This *rule* applies to a *complaint* received before:
- (a) the scheme effective date; or
 - (b) the end of the implementation period.
- (2) Subject to (3), a lender must:
- (a) assess whether the *complaint* is in relation to a scheme case that meets the conditions set out in *CONRED* 6.1.17R;
 - (b) where the case does not meet the conditions of a scheme case:
 - (i) inform the consumer of that decision and the reasons for it by sending a *redress determination* in a durable medium containing the information in *CONRED* 6 Annex 5.1R; and
 - (ii) send a *final response* at the same time as sending a *redress determination* in (i);
 - (c) assess whether a scheme case identified in (a) includes one or more relevant arrangement (for the meaning of ‘relevant arrangement’ see *CONRED* 6.2.18G to *CONRED* 6.2.22R);
 - (d) where the *complaint* relates to a scheme case which includes one or more relevant arrangement, complete the remaining steps in this chapter, as applicable, in relation to all relevant arrangements, including sending a first provisional redress decision to the complainant;
 - (e) where the *complaint* relates to a scheme case which does not include a relevant arrangement:
 - (i) inform the consumer of that decision and the reasons for it by sending a provisional redress decision in a durable medium which contains the information set out in *CONRED* 6 Annex 4.1R and which provides the consumer with 1 *month* to respond; and
 - (ii) if applicable, send a *final response* in relation to any matters that do not fall within the scheme in accordance with (iii);
 - (iii) a *final response* in (ii) must be sent either: (a) no later than one *month* after a provisional redress decision is accepted by a consumer under the scheme; or (b) at the same time as sending a *redress determination* under the scheme.

- (f) within a period of 8 *months* beginning with the scheme effective date, complete this step and any other steps in this chapter that are necessary to provide the complainant with their first *redress determination* or provisional redress decision; and
 - (g) include a request to indicate whether the consumer is going to opt out of the scheme in a *redress determination* or provisional redress decision which is the first communication sent to a consumer in accordance with (f).
- (3) Where a *complaint* to which this *rule* applies is a *complaint* in response to which, by the scheme effective date, a lender or credit broker has sent the complainant a *final response* which rejects the *complaint*:
- (a) paragraph (2) does not apply; and
 - (b) *CONRED* 6.2.11R applies to the motor finance agreement to which the complaint relates as if no complaint had been made.

Option to pause the first step: dual track cases

- 6.2.10 R (1) In relation to a dual track case, if (2) applies, a lender may:
- (a) continue to process; or
 - (b) pause processing,
- a scheme case in accordance with the requirements set out in this chapter.
- (2) A lender may elect to pause the processing of a dual track case if the relevant court proceedings are not stayed or withdrawn.
- (3) If a lender elects to pause the processing of a dual track case, it must issue a notice in a durable medium to a consumer at least 14 *days* before the lender intends to pause the processing of the dual track case.
- (4) A notice under (3) must contain the following information:
- (a) that the lender will pause handling of the scheme case unless the lender receives evidence that the relevant court proceedings are stayed or withdrawn;
 - (b) that the lender will resume processing the scheme case if the relevant court proceedings are stayed or withdrawn; and
 - (c) a warning that a consumer may be required to pay the lender's legal costs if the consumer decides to withdraw from the relevant court proceedings.

- (5) A lender must resume processing a dual track case if at any time the relevant court proceedings are stayed or withdrawn.
- (6) If a court issues a judgment in a dual track case, it will cease to be a scheme case and a lender will not be required to take any further action in relation to it.
- (7) If a lender issues a notice in accordance with (3), it has the effect of suspending each deadline in this chapter which has not yet expired until the date the lender receives notice that:
 - (a) proceedings are stayed or withdrawn; or
 - (b) the date of judgment.
- (8) In this *rule*:
 - (a) a ‘dual track case’ means a scheme case in relation to which court proceedings have been issued in relation to the same motor finance agreement by, or on behalf of, a consumer in any court or tribunal in the *United Kingdom*; and
 - (b) ‘withdrawn’ means discontinued or otherwise brought to an end, so that the court will not determine the parties’ rights or liabilities in respect of the claim.

Second step: contacting consumers about motor finance agreements where no complaint has been made

- 6.2.11 R (1) Subject to *CONRED* 6.2.9R(3), this *rule* applies to motor finance agreements in relation to which a complaint meeting the requirements in *CONRED* 6.2.9R(1) has not been received by a lender.
- (2) A lender must:
- (a) identify whether the agreement meets the conditions of a scheme case in *CONRED* 6.1.17R;
 - (b) assess whether a scheme case identified in (2)(a) includes at least one relevant arrangement;
 - (c) where a scheme case includes at least one relevant arrangement, send a communication in a durable medium in the form set out in *CONRED* 6 Annex 6.1R to:
 - (i) inform the consumer that the agreement is a scheme case and includes at least one relevant arrangement; and
 - (ii) invite the consumer to opt in to the scheme within 6 *months* starting with the day the communication is sent by the lender;

- (d) where an agreement is not a scheme case because the condition in *CONRED* 6.1.17R(1)(g) is not met and it includes at least one relevant arrangement, inform the consumer of the decision that it is not a scheme case for that reason in a *redress determination* provided in a durable medium with the content set out in *CONRED* 6 Annex 7.1R; and
 - (e) complete this step within a period of 11 *months* beginning with the scheme effective date.
- 6.2.12 G (1) Where no *complaint* has been made to the lender about an existing motor finance agreement, there is no requirement for that lender to contact the relevant consumer under this scheme where the agreement is not a scheme case, unless *CONRED* 6.2.11R(2)(d) applies.
- (2) Where no *complaint* has been made and there are no relevant arrangements in relation to a scheme case, there is no requirement for a lender to contact the relevant consumer.

Identifying scheme cases and relevant arrangements: insufficient information

- 6.2.13 R Where a lender cannot identify whether a case is a scheme case with one or more relevant arrangement in accordance with *CONRED* 6.2.9R(2)(a) and (c) or *CONRED* 6.2.11R(2)(a) and (b), it must:
- (1) where the reason is because it does not have the relevant records and information, follow the *rules* and *guidance* set out in *CONRED* 6.2.23G to *CONRED* 6.2.28R; and
 - (2) where, having followed those *rules* and that *guidance*, it still cannot make that determination, follow the process set out in *CONRED* 6.2.29R to *CONRED* 6.2.31R.

Opt-in reminders

- 6.2.14 R (1) Where the lender has not received an opt-in within 1 *month* of sending the communication in *CONRED* 6.2.11R(2)(c), the lender must, within 1 *month*, send the consumer an opt-in follow-up communication in a durable medium containing the information set out in *CONRED* 6 Annex 8.1R.
- (2) Where the lender has not received an opt-in from the consumer within 1 *month* of the opt-in follow-up communication in (1), the lender must follow the process set out in *CONRED* 6.7.13R to *CONRED* 6.7.16R in taking all reasonable steps to contact the consumer.
- (3) Subject to *CONRED* 6.4.40R, where a lender receives an opt-in more than 6 *months* after the consumer was sent the opt-in communication in accordance with *CONRED* 6.2.11R, the lender may determine not to proceed with the case. Upon deciding not to proceed, it must:

- (a) inform the consumer of that determination and the reasons for it in a provisional redress decision in a durable medium containing the information in *CONRED* 6 Annex 2; and
- (b) provide the consumer with 1 *month* to respond.

Next steps for opt-in cases

- 6.2.15 R (1) Paragraph (2) applies where, with respect to all scheme cases identified in *CONRED* 6.2.11R, the consumer has opted in within 6 *months* of being sent the opt-in communication in *CONRED* 6.2.11R(2)(c).
- (2) The lender must:
- (a) within 7 *days* of receiving the response, send the consumer an acknowledgment in a durable medium to confirm that the scheme case is being assessed under the scheme and setting out the deadlines for next steps;
 - (b) proceed to the third step; and
 - (c) within a period of 3 *months* beginning with the date the response is received, complete any other steps in this chapter that are necessary to provide the complainant with a *redress determination* or provisional redress decision.
- (3) Where a lender must send a communication to a consumer under *CONRED* 6.2.11R(2)(c), it may:
- (a) complete the remaining steps in this chapter in respect of that agreement before the expiry of the 11-*month* period referred to in that *rule*; and
 - (b) send the provisional redress decision required by those steps with that communication.
- (4) Where a lender sends a provisional redress communication under (3), the time within which the consumer is required to respond is the same as the 6-*month* period it has to respond to the communication inviting the consumer to opt in to the scheme referred to in *CONRED* 6.2.11R(2)(c).

Responses to first step and second step provisional redress decisions: lender obligations

- 6.2.16 R (1) This rule applies where a lender has sent a provisional redress decision under:
- (a) *CONRED* 6.2.9R(2)(e)(i);
 - (b) *CONRED* 6.2.14R(3); or

- (c) *CONRED* 6.2.30R(1).
- (2) Where the consumer responds to the provisional redress decision within 1 *month* stating that they do not wish to have their case considered under this scheme, the lender must, within a 7-day period beginning on the day the response is received, send the consumer a communication to:
 - (a) acknowledge the response; and
 - (b) explain that the case will not be dealt with any further.
- (3) Where the consumer responds to the provisional redress decision within 1 *month* stating that they accept the decision, the lender must, within a 7-day period beginning on the day the response is received, send the consumer a communication acknowledging the acceptance.
- (4) Where a consumer responds to the provisional redress decision within 1 *month* objecting to the decision, the lender must:
 - (a) send an acknowledgment containing the information in *CONRED* 6 Annex 10.1R within 7 *days*, requiring the consumer to provide further details of the objection, including any evidence supporting the objection, within 1 *month* of the date of the acknowledgement;
 - (b) decide whether it should proceed to the third step on the basis of the objection, including any representations and any supporting evidence from the consumer; and
 - (c) undertake one of the actions set out in (5) within 2 *months* of:
 - (i) the date it receives the further details of the objection; or
 - (ii) where receives no further details within 1 *month* of the date of the acknowledgement in accordance with (a), the date of the expiry of that 1 *month* period.
- (5) The actions in (4)(c) are:
 - (a) send a *redress determination* confirming the provisional redress decision containing the information in *CONRED* 6 Annex 3; or
 - (b) complete the remaining steps under this chapter necessary to provide the consumer with their next provisional redress decision or *redress determination*.
- (6) Where the lender accepts the consumer's objection, provided in accordance with (4), it must proceed to the third step in *CONRED* 6.3.
- (7) Where the consumer does not respond to the provisional redress decision within 1 *month*, the lender must send a *redress determination*

confirming the provisional redress decision containing the information in *CONRED* 6 Annex 3 within 1 *month* of the expiry of that period.

- (8) Any communication sent by a lender under this *rule* must be sent in a durable medium.

Complaints received after the end of the implementation period

- 6.2.17 R (1) This *rule* does not apply if the lender has sent:
- (a) an opt-in communication to the consumer within the prescribed deadlines in this chapter, and the deadline for the consumer to opt in has expired; or
 - (b) a provisional redress decision or a *redress determination* to the consumer under any provision in this chapter.
- (2) Where a lender receives a *complaint* from a consumer relating to a motor finance agreement after the end of the implementation period and before the end of a period of 17 *months* beginning with the scheme effective date, it must:
- (a) treat the *complaint* as it would have treated a *complaint* received before the end of the implementation period under *CONRED* 6.2.9R, except that any communication required to be sent in accordance with that *rule* must be sent within a period of 3 *months* beginning with the date the *complaint* is received; or
 - (b) where the *complaint* relates to an agreement in relation to which an opt-in communication has been sent under *CONRED* 6.2.11R(2)(c), treat the *complaint* as an opt-in.
- (3) Where (2)(a) applies, the requirement in *CONRED* 6.2.11R(2)(d) does not apply.
- (4) Where a lender receives a *complaint* from a consumer relating to a motor finance agreement after the end of a period of 17 *months* beginning with the scheme effective date and the failure to comply with that time limit was caused by exceptional circumstance as set out in *CONRED* 6.4.41G, (2)(a) applies.

Identifying a relevant arrangement

- 6.2.18 G *CONRED* 6.2.19R sets out the circumstances in which a discretionary commission, high commission or tied arrangement will be a relevant arrangement for the purposes of the scheme, including the exceptions that apply. *CONRED* 6.2.20R to *CONRED* 6.2.22R then make further provision about the exception for captive and white label relationships, and the evidence that will be required to demonstrate that it applies.

- 6.2.19 R (1) Each of the following is a relevant arrangement unless at least one of the exceptions in (2) to (4) apply in respect of that arrangement:
- (a) a discretionary commission arrangement;
 - (b) a high commission arrangement; or
 - (c) a tied arrangement.
- (2) A discretionary commission arrangement, a high commission arrangement, or a tied arrangement is not a relevant arrangement if:
- (a) the total amount of commission was £120 or less; or
 - (b) the annual percentage rate for the motor finance agreement was 0%.
- (3) A discretionary commission arrangement is not a relevant arrangement if the interest rate that applied under the motor finance agreement was the lowest rate of interest in the range of interest rates that could have been selected by the credit broker under the discretionary commission arrangement.
- (4) A tied arrangement is not a relevant arrangement where the exception for captive and white label relationships described in *CONRED* 6.2.20R applies.
- (5) For the purposes of (3), the lowest rate of interest in the range is the rate at which the credit broker would not receive commission in respect of the motor finance agreement because of the exercise of its discretion under the discretionary commission arrangement.
- (6) The exceptions in (2) to (4) only apply where the lender can demonstrate the application of the exception on the basis of evidence (see also *CONRED* 6.2.24R and (with respect to the exception in (4)) *CONRED* 6.2.22R).
- (7) If a lender has identified that an arrangement set out at (1)(a) to (c) is present in a scheme case but cannot demonstrate that one of the exceptions in (2) to (4) applies in respect of that arrangement, it must determine that the arrangement is a relevant arrangement.

Identifying a relevant arrangement: exception for captive and white label relationships

- 6.2.20 R (1) The exception referred to in *CONRED* 6.2.19R(4) applies where the motor finance agreement was entered into in the following circumstances:

- (a) the lender (L) was at the relevant time a captive lender of, or operating as a white label lender of, the manufacturer (M) of the motor vehicle acquired using the motor finance agreement;
 - (b) the credit broker (C) that introduced the consumer to L was at the relevant time a franchised dealer of M; and
 - (c) a trading name or branding commonly associated with the brand of the motor vehicle being acquired in the scheme case was clearly and prominently presented in:
 - (i) a dedicated premises, or clearly segregated area of the premises, of C visited by the consumer;
 - (ii) marketing materials or other communications relating to the motor finance agreement presented to the consumer prior to the consumer entering into the motor finance agreement; and
 - (iii) the motor finance agreement.
- (2) A captive lender of M means a lender that:
- (a) had the main business purpose of providing finance in connection with the acquisition of motor vehicles manufactured by M;
 - (b) was a *subsidiary undertaking* of M; and
 - (c) operated under one or more trading names commonly associated with those motor vehicles.
- (3) A lender operating as a white label lender of M means a lender (other than a captive lender) that was party to an agreement with M under which it:
- (a) provided finance in connection with the acquisition of motor vehicles manufactured by M; and
 - (b) operated under one or more trading names commonly associated with those motor vehicles when providing that finance.
- (4) A franchised dealer of M means a credit broker that supplied one or more brands of vehicle manufactured by M using a trading name or other branding commonly associated with those motor vehicles and was either:
- (a) a *subsidiary undertaking* of M; or
 - (b) operating pursuant to an agreement with M under which the credit broker was permitted to supply those vehicles using that trading name or other branding.

- (5) Where the context requires, references to ‘the manufacturer’ or ‘M’ are to be read as including another undertaking in the same group as M.
- (6) For the purposes of this *rule* (and *CONRED* 6.2.22R):
 - (a) ‘acquired’ means through purchase or bailment (or in Scotland, hire), and references to ‘acquisition’ are to be read accordingly;
 - (b) ‘premises’ means a dealer’s place of business including a motor vehicle forecourt;
 - (c) ‘providing finance’ means providing credit under consumer credit agreements within the meaning of the *CCA*; and
 - (d) ‘supply’ means:
 - (i) selling or offering to sell; and
 - (ii) bailment (or in Scotland, hiring);
 and references to ‘supplied’ or ‘supplier’ are to be read accordingly.

6.2.21 G The purpose of *CONRED* 6.2.20R(5) is to capture vehicle manufacturing *group* structures. For example, where the lender and the motor vehicle manufacturer are both *subsidiary undertakings* of a *parent undertaking* in the same *group* as the vehicle manufacturer (eg, a group holding company), the reference to the lender being a captive lender of M should be read as if the reference to M is a reference to the manufacturer’s *parent undertaking*.

Identifying a relevant arrangement: evidencing reliance on the exception for captive and white label relationships

- 6.2.22 R
- (1) To demonstrate that the exception in *CONRED* 6.2.19R(4) applies (see *CONRED* 6.2.19R(6)), the lender must have evidence that demonstrates that each of the conditions in *CONRED* 6.2.20R(1) are met.
 - (2) The lender may rely on the following to demonstrate that the conditions in *CONRED* 6.2.20R(1)(a) are met:
 - (a) primary records; or
 - (b) reasonable assumptions made by relying on secondary records.
 - (3) If the records in (2)(a) and (b) are not available, the lender may also rely on reasonable assumptions made by relying on primary or secondary records relating to a comparable credit broker.
 - (4) To determine that the circumstances in *CONRED* 6.2.20R(1)(c) apply, the lender must identify evidence which:

- (a) demonstrates how the trading name or branding commonly associated with the brand of the motor vehicle being acquired in the scheme case was more likely than not presented to the consumer; and
 - (b) relates to a period of time that is contemporaneous with the time the consumer entered into their motor finance agreement.
- (5) For the purposes of (4), the lender may rely on:
 - (a) primary records of the type described in *CONRED* 6 Annex 1.1G(3) which the lender has reasonable grounds to believe were presented to the consumer before the consumer entered the transaction; or
 - (b) reasonable assumptions made by relying on secondary records which include information that demonstrates the disclosure, marketing and communication standards applied by the lender or the credit broker at the relevant time, together with evidence that compliance with those standards was monitored and enforced.
- (6) If the records in (5)(a) and (b) are not available, the lender may rely on reasonable assumptions made by relying on secondary records relating to a comparable credit broker.
- (7) A lender may only rely on secondary records if it can demonstrate that it has taken reasonable steps to verify that the record relied on relates to a period of time that is contemporaneous with the time the consumer entered into their motor finance agreement.
- (8) For the purposes of this *rule*, a credit broker (A) will only be comparable to the credit broker in the scheme case (B) where the lender has reasonable grounds to believe that at the relevant time A was, in carrying on its business, subject to:
 - (a) the same or closely analogous terms of engagement or business with the lender and the vehicle manufacturer as B; and
 - (b) the same or closely analogous disclosure, marketing and communication standards as B.

Insufficient information: obtaining relevant records and information

6.2.23 G In relation to a motor finance agreement that ended on or after:

- (1) 11 January 2018 (and was entered into before 28 January 2021), lenders and credit brokers are expected to have retained records which confirm whether the agreement contained a discretionary commission arrangement pursuant to the record retention rule in *DISP* App 5.3.1R; and

- (2) 20 December 2018, lenders and credit brokers are expected to have retained records which confirm whether the agreement contained all other relevant arrangements pursuant to the record retention rule in *DISP* App 5.3.1AR.
- 6.2.24 R (1) Subject to (2), to identify whether a particular motor finance agreement is a scheme case or any relevant arrangements are present in respect of a scheme case, in accordance with *CONRED* 6.2.9R(2)(a) and (c) or *CONRED* 6.2.11R(2)(a) and (b), the lender must:
- (a) first consider the primary records of the type set out in *CONRED* 6 Annex 1.1G(1) and (2); and
 - (b) where appropriate, consider whether reasonable assumptions can be made by relying on the secondary records.
- (2) *CONRED* 6.2.22R applies for the purposes of identifying whether a tied arrangement is not a relevant arrangement because the exception for captive and white label relationships in *CONRED* 6.2.19R(4) applies.
- (3) A lender may only rely on secondary records if it can demonstrate that it has taken reasonable steps to verify that the secondary record to be relied on relates to a period of time that is contemporaneous with the time the consumer entered into their motor finance agreement.

Requirement to contact credit brokers

- 6.2.25 R A lender, in circumstances where it does not have the records necessary to identify the matters set out in *CONRED* 6.2.9R(2)(a) and (c) or *CONRED* 6.2.11R(2)(a) and (b), must request relevant records and information from the relevant credit broker.
- 6.2.26 G When making the request of the credit broker in *CONRED* 6.2.25R, the lender may also request the relevant records and information necessary to conduct the unfair relationship assessment in accordance with *CONRED* 6.3.1R and the redress calculations in accordance with *CONRED* 6.4.
- 6.2.27 R If a credit broker either does not respond to the request for information in *CONRED* 6.2.25R within 1 *month* or the credit broker only partially responds, the lender must send a further communication in a durable medium as soon as practicable, providing a further 14 *days* from the day of that communication for the credit broker to respond.
- 6.2.28 R A credit broker, where it receives a request for information from a lender under *CONRED* 6.2.25R and *CONRED* 6.2.27R, must conduct a thorough search of its systems and respond to that request within the prescribed deadlines by either:
- (1) providing the requested information in the format requested or, if that is not reasonably practicable, a reasonable format; or
 - (2) confirming that it does not hold the requested information.

Insufficient information: making a provisional redress decision

- 6.2.29 R A lender may conclude that there is insufficient evidence to make the determinations in *CONRED* 6.2.9R(2)(a) and (c) or *CONRED* 6.2.11R(2)(a) and (b) where, in respect of a determination, it has:
- (1) complied with the *rules* and *guidance* in *CONRED* 6.2.13R, *CONRED* 6.2.23G and *CONRED* 6.2.24R;
 - (2) taken the steps set out in *CONRED* 6.2.25R to *CONRED* 6.2.27R; and
 - (3) failed to receive from a credit broker the necessary evidence to establish whether each of those conditions have been met.
- 6.2.30 R In relation to the determinations in *CONRED* 6.2.9R(2)(a) and (c), where a lender draws a conclusion referred to in *CONRED* 6.2.29R, the lender must:
- (1) send a provisional redress decision in a durable medium containing the information set out in *CONRED* 6 Annex 9.1R to inform the consumer of the following:
 - (a) its conclusion;
 - (b) the reasons for its conclusion; and
 - (c) on that basis, that there will be no redress payable under the scheme; and
 - (2) give the consumer at least 1 *month* to respond to that provisional redress decision and provide any relevant records and information.
- 6.2.31 R Where the evidence being relied on by the lender is of equal relevance to any evidence provided by consumer, including in relevant records and information provided in accordance with *CONRED* 6.2.30R(2), and where there is a conflict in the content of that evidence, the lender must resolve the conflict in favour of the consumer unless the lender can demonstrate a clear basis for not doing so.

6.3 Third step: assessing scheme cases under unfair relationship provisions

- 6.3.1 R For each relevant arrangement that the lender determines is present in respect of a scheme case, the lender must determine whether it is more likely than not that:
- (1) there is or was an unfair relationship under the unfair relationship provisions arising out of a failure to provide adequate disclosure of one or more of the relevant arrangements (stage 1); and
 - (2) the consumer suffered loss or damage as a result (stage 2).

Relevant records and information at assessment stage

- 6.3.2 R Before undertaking the stage 1 assessment, the lender must identify whether:

- (1) any more relevant arrangements are present in respect of the scheme case; and
 - (2) it has the necessary records and information to determine whether there was an unfair relationship that caused loss or damage to the consumer in accordance with the rules in this section (i.e. the third step).
- 6.3.3 R (1) To identify whether any of the relevant arrangements are present in accordance with *CONRED* 6.3.2R(1), the lender must apply the *rules* and *guidance* in *CONRED* 6.2.19R to *CONRED* 6.2.24R in so far as those *rules* relate to identifying whether a relevant arrangement is present in a scheme case.
- (2) To identify whether the lender has the necessary records and information to make the determination required under the third step in accordance with *CONRED* 6.3.2R(2) the lender must consider in particular the types of records set out in *CONRED* 6.3.12R (approach to evidence when assessing the adequacy of disclosure).

Requirement to contact credit brokers

- 6.3.4 R If a lender does not have the records necessary to make the determination required under the third step, it must request relevant records and information from the credit broker.
- 6.3.5 R If a credit broker does not respond to the request in *CONRED* 6.3.4R within 1 *month*, or only sends a partial response, the lender must send a further communication in a durable medium as soon as practicable, providing a further 14 *days* for the credit broker to respond.
- 6.3.6 R If a credit broker receives a request for information from a lender under *CONRED* 6.3.4R or *CONRED* 6.3.5R, it must conduct a thorough search of its systems and respond to that request within 1 *month* by either:
- (1) providing the requested information in the format requested or, if that is not reasonably practicable, a reasonable format; or
 - (2) confirming that it does not hold the requested information.
- 6.3.7 R If a lender has taken the steps set out in *CONRED* 6.3.2R to *CONRED* 6.3.5R but does not have sufficient information to identify whether a particular relevant arrangement is present in respect of a scheme case, the lender may undertake the unfair relationship assessment required under this section on the basis that the relevant arrangement is not present.

Stage 1: the unfair relationship assessment

- 6.3.8 R The lender must presume that there was an unfair relationship in respect of a scheme case if:
- (1) one or more of the relevant arrangements are present; and

- (2) there was a failure to provide adequate disclosure to the consumer of any of those arrangements that were present.

Stage 1: the unfair relationship assessment – assessing the adequacy of disclosure

- 6.3.9 R To assess whether there was a failure to provide adequate disclosure for the purposes of *CONRED* 6.3.8R(2), the firm must apply:
 - (1) the *rules* on assessing adequate disclosure in *CONRED* 6.3.10R and *CONRED* 6.3.12R; and
 - (2) section 56 of the *CCA* (see *CONRED* 6.3.13G).
- 6.3.10 R (1) There will not have been adequate disclosure of a relevant arrangement unless the following information (the ‘disclosure information’) was clearly and prominently provided to the consumer before the consumer entered into the motor finance agreement:
 - (a) in relation to a discretionary commission arrangement – the fact that commission was payable to the credit broker in respect of the consumer’s agreement and sufficient information about the discretionary commission arrangement for the consumer to understand that the credit broker was permitted to select the interest rate provided for under the motor finance agreement in a way that affected the amount of commission that would be received by the credit broker;
 - (b) in relation to a high commission arrangement – the fact and amount of the commission payable to the credit broker in respect of the consumer’s agreement, either by the disclosure of the amount of commission in monetary terms or by the disclosure of the method by which the commission amount would be calculated such that the consumer was able to understand its size;
 - (c) in relation to a tied arrangement – the fact of the tied arrangement and sufficient information about the arrangement for the consumer to understand that the credit broker would introduce consumers exclusively to the lender or give the lender the option to provide an offer of credit to the consumer before the credit broker approached any other lender (as relevant).
- (2) The disclosure information will not have been clearly and prominently provided unless it was presented, in relation to the other information provided at the same time, in such a way that it (subject to (3) and (4)) was likely to have drawn the attention of the average customer to whom it was directed.
- (3) The lender may base its assessment of whether there was adequate disclosure for the purposes of (1) on whether the disclosure was likely to have been adequate for the average consumer to whom the relevant

communication was directed unless there is evidence in the records relating to the scheme case that:

- (a) the consumer had characteristics which would have impaired the consumer's ability to meaningfully understand the information; and
 - (b) those characteristics would at the time have been apparent to the person making the communication.
- (4) Where the circumstances in (3)(a) and (b) apply, the lender should further consider whether any additional information, further explanation or a different communication channel would have been required to meet the information needs of that consumer for the disclosure to have been adequate.

Stage 1: the unfair relationship assessment - guidance on clear and prominent disclosure

- 6.3.11 G (1) Examples that would tend to indicate that the disclosure information in *CONRED* 6.3.10R(1) is likely to have been presented clearly and prominently for the purposes of *CONRED* 6.3.10R(2) include the following (subject to *CONRED* 6.3.10R(3) to (4)):
- (a) there is evidence that an oral communication was used to draw the consumer's attention to the information in written form;
 - (b) that information was presented as a key term or item of information at the top of a key document, or presented as such in a separate short summary document;
 - (c) that information was specifically drawn to the consumer's attention by bold text or similar visual means; or
 - (d) the consumer was asked to specifically acknowledge that they had been given that information (for example, by signing a declaration to that effect).
- (2) Examples that would tend to indicate that the disclosure information in *CONRED* 6.3.10R(1) is unlikely to have been presented clearly and prominently for the purposes of *CONRED* 6.3.10R(2) include where its importance was obscured or diminished by:
- (a) being surrounded by a significant volume of other terms or information, with no particular attention drawn to it; or
 - (b) the use of small font sizes.

Stage 1: the unfair relationship assessment – approach to evidence when assessing the adequacy of disclosure

- 6.3.12 R (1) This *rule* sets out the lender's approach to evidence when assessing whether there was adequate disclosure of the disclosure information.
- (2) The lender must presume that there was no adequate disclosure unless one of the conditions in (3) or (4) is met.
- (3) The first condition referred to in (2) is that:
- (a) one (or more) of the primary records of the type listed in *CONRED 6 Annex 1.1G(3)* contains the disclosure information; and
 - (b) either:
 - (i) there is evidence that the disclosure information contained in that record (or records) was provided to the consumer prior to the consumer entering into the motor finance agreement; or
 - (ii) the lender has reasonable grounds to believe that the consumer was made aware of the disclosure information contained in that record (or records) prior to that consumer entering into the motor finance agreement.
- (4) The second condition referred to in (2) is that there are relevant secondary records which demonstrate that the disclosure information was more likely than not provided to the consumer before the consumer entered into the motor finance agreement.
- (5) For the purposes of this *rule*, 'relevant secondary record' means:
- (a) records (of the type described in *CONRED 6 Annex 1.1G(4)* (such as template disclosure materials or other records)) which clearly set out the policy of the lender or the credit broker to include information that would constitute adequate disclosure in the information provided to consumers at the relevant time; or
 - (b) contemporaneous records of the type described in *CONRED 6 Annex 1.1G(3)* relating to other consumers who were in a sufficiently similar position as the consumer in the scheme case, and which include information that demonstrates the standard disclosure practice of the lender or the credit broker at the relevant time.
- (6) A lender may only rely on a relevant secondary record if it can demonstrate that it has taken reasonable steps to verify that the record relates to a period of time that is contemporaneous with the time the consumer entered into their motor finance agreement.

Stage 1: the unfair relationship assessment – guidance on applying section 56 of the Consumer Credit Act when assessing the adequacy of disclosure

- 6.3.13 G The effect of section 56(2) of the *CCA* is that the acts and omissions of a credit broker when conducting ‘antecedent negotiations’ with the consumer are attributable to the lender for the purposes of the assessment of whether a credit relationship is unfair under section 140A of the *CCA*. As a result, where section 56 of the *CCA* applies in the context of a scheme case, the lender must also consider any acts or omissions by the credit broker in conducting those negotiations.

Stage 1: the unfair relationship assessment – rebutting a presumption of unfairness

- 6.3.14 R (1) A presumption of an unfair relationship arising out of a failure to provide adequate disclosure of a relevant arrangement is rebuttable by the lender where it can be demonstrated on the basis of evidence that it is more likely than not that the particular consumer could reasonably be expected to have known about or foreseen the disclosure information about the relevant arrangement because of:
- (a) their level of specific knowledge or experience (for example, from working in a relevant role within a vehicle dealership or the motor finance industry); or
 - (b) prior transactions with the lender or credit broker involving adequate disclosure of the relevant arrangements.
- (2) A presumption of an unfair relationship arising out of a failure to provide adequate disclosure of a tied arrangement is rebuttable by the lender where it can be demonstrated on the basis of evidence that it is more likely than not that the constraints imposed by the tied arrangement in the scheme case did not impact on the credit broker’s decision to introduce the consumer to the lender because, at the relevant time:
- (a) the lender had expressly, or by implication through the course of dealing between the parties, agreed to forgo any reliance on the tied arrangement; or
 - (b) the broker had a policy or practice of disregarding the tied arrangement when introducing consumers to lenders.
- 6.3.15 R Where there is a presumption of an unfair relationship arising out of a failure to provide adequate disclosure of more than one of the relevant arrangements, the presumption may only be rebutted if a condition for rebuttal applies in relation to each of those failures.
- 6.3.16 R Reliance on the rebuttal in *CONRED* 6.3.14R(2) must be supported by:
- (1) evidence which demonstrates that, at the relevant time, the credit broker was introducing consumers to lenders in a way that was incompatible with a scenario in which the tied arrangement had an impact on the decision making of the credit broker (see *CONRED* 6.3.17R); and

- (2) verification of the reliance on that evidence in accordance with *CONRED* 6.3.18R.
- 6.3.17 R (1) The following evidence is likely to be required to support reliance on the rebuttal in *CONRED* 6.3.14R(2):
- (a) relevant transactional data; and
 - (b) supporting evidence.
- (2) The relevant transactional data referred to in (1)(a) is data relating to the financial year quarter or calendar year quarter in which the relevant motor finance agreement was entered into, and which sets out:
- (a) the distribution (by number or value) of the initial introductions made to each lender to which the credit broker made introductions; or
 - (b) where the data in (2)(a) is not available, the distribution (by number or value) of the credit agreements entered into by each lender as a result of introductions made by the credit broker.
- (3) The following are examples of supporting evidence for the purposes of (1)(b):
- (a) contemporaneous records of:
 - (i) internal policies, procedures or other documents which set out the credit broker's approach to the introduction of consumers to lenders at the relevant time;
 - (ii) the lender's monitoring of its arrangements with the credit broker which demonstrate that the lender was not receiving a volume of introductions consistent with that which the lender would have reasonably expected under the terms of the tied arrangement with the credit broker;
 - (iii) agreements or communications which demonstrate that the lender had agreed to forgo any reliance on the tied arrangement;
 - (iv) tied arrangements (to which the credit broker was a party) other than the tied arrangement with the lender at the relevant time;
 - (b) a statement from an individual of appropriate seniority in the credit broker:
 - (i) explaining the credit broker's approach to the introduction of consumers to lenders at the relevant time; and

- (ii) attesting that the tied arrangement did not impact on the decision making of the credit broker when introducing the consumer to the lender.
- (4) For the purposes of this *rule*:
 - (a) an ‘initial introduction’ is an introduction made by a credit broker to a lender, including where the consumer did not subsequently enter into a credit agreement with the lender following that introduction (for example, because the lender refused to offer credit to the consumer); and
 - (b) ‘value’ means the amount of credit made available by the lender to consumers under motor finance agreements.

Verification of evidence supporting the rebuttal in CONRED 6.3.14R(2)

- 6.3.18 R (1) In addition to the evidence of the type described in *CONRED* 6.3.17R, the lender must obtain a report from:
- (a) the individual who has responsibility for the management of the internal audit function of the firm; or
 - (b) an independent auditor.
- (2) The report must include:
- (a) an explanation of the evidence being relied upon by the firm to demonstrate the rebuttal;
 - (b) a statement of the role and responsibilities of the person providing the report; and
 - (c) an attestation from that person confirming that they have:
 - (i) reviewed and assessed the evidence relied on by the firm to demonstrate the rebuttal; and
 - (ii) concluded that the evidence demonstrates that the conditions for relying on the rebuttal are met.
- (3) A report produced pursuant to this rule may apply to a group of scheme cases provided the requirements of this rule are satisfied in respect of each scheme case to which the report relates.
- 6.3.19 R If the presumption in *CONRED* 6.3.8R applies and is not rebutted in accordance with *CONRED* 6.3.14R, the lender must determine that there was an unfair relationship.

Stage 1: the unfair relationship assessment – next steps

- 6.3.20 R (1) If the lender determines that there was an unfair relationship in accordance with *CONRED* 6.3.19R, the lender must proceed to *CONRED* 6.3.21R (Stage 2: loss or damage assessment – presumption of loss or damage).
- (2) If the lender determines there was not an unfair relationship because there was adequate disclosure or the presumption of an unfair relationship was rebutted, the lender must:
- (a) inform the consumer of that determination and the reasons for it in a provisional redress decision that:
 - (i) contains the information set out in *CONRED* 6 Annex 2; and
 - (ii) is sent in a durable medium; and
 - (b) provide the consumer with 1 *month* to respond.

Stage 2: loss or damage assessment – presumption of loss or damage

- 6.3.21 R If the lender determines there was an unfair relationship in respect of a scheme case, the lender must presume that the unfair relationship caused the consumer loss or damage.

Stage 2: loss or damage assessment – rebuttal of presumption of loss or damage

- 6.3.22 R (1) The presumption of loss or damage in *CONRED* 6.3.21R is rebuttable by the lender if it can demonstrate on the basis of evidence that it is more likely than not that the consumer would not, in relation to the same transaction, have been able to obtain a lower annual percentage rate from another lender with which the credit broker had a referral arrangement, at the relevant time.
- (2) The rebuttal in this rule only applies where, at the relevant time:
- (a) the credit broker had referral arrangements with one or more lender, other than the lender in the scheme case (for example, where the credit broker had access to a ‘panel’ of other lenders as an alternative to the right of first refusal arrangement it had with the lender); and
 - (b) those lenders offered motor finance agreements that would have been available to, and suitable for the needs of, the consumer in the scheme case (considering the consumer’s credit profile and the characteristics of the credit product sought).
- (3) Reliance on the rebuttal in this rule must be supported by evidence which demonstrates:

- (a) the alternative annual percentage rates that would, at the relevant time, have been available to the consumer from each lender with which the credit broker had referral arrangements; or
 - (b) that the credit broker's internal processes at the relevant time involved carrying out checks which ensured that the consumer could not have received a lower annual percentage rate from any other lender with which the credit broker had a referral arrangement.
 - (4) The rebuttal in this *rule* cannot be relied upon in scheme cases where the lender has determined that there was an unfair relationship arising out of a discretionary commission arrangement.
 - (5) For the purposes of this *rule*, and *CONRED* 6.3.23R, 'referral arrangement' means an arrangement between a lender and a credit broker relating to the introduction of consumers wishing to enter into motor finance agreements with that lender.
- 6.3.23 R (1) The following evidence is likely to be required to demonstrate *CONRED* 6.3.22R(3)(a):
- (a) contemporaneous broker platform screenshots or other records showing the application of the consumer in the scheme case and the range of rates that were available to that consumer;
 - (b) contemporaneous communications (for example, emails or system notes) confirming the annual percentage rates considered by the credit broker in respect of the consumer in the scheme case; or
 - (c) a combination of the following:
 - (i) contemporaneous records that:
 - (A) show the annual percentage rates available from the lenders with which the credit broker had arrangements at the relevant time; and
 - (B) provide sufficient information, taking into account different credit profiles, credit amounts and product types, to allow the available rates to be matched to the consumer in the scheme case; and
 - (ii) sufficient transaction data:
 - (A) to demonstrate the annual percentage rates that were provided to consumers in a sufficiently similar position to the consumer in the scheme case (ie, consumers with a similar credit profile,

credit amount and product type) by those lenders;
and

- (B) from which reasonable assumptions about the rates available to the consumer in the scheme case can be made.

(2) The following evidence is likely to be required to demonstrate *CONRED* 6.3.22R(3)(b):

- (a) contemporaneous records of the credit broker's internal systems, controls, processes, policies, procedures or other documents which set out the credit broker's approach to the introduction of consumers to lenders at the relevant time; and
- (b) a statement from an individual of appropriate seniority in the credit broker attesting that:
 - (i) the records referred to in (a) accurately reflect the credit broker's internal processes the relevant time; and
 - (ii) those processes ensured that the consumer could not have obtained a lower annual percentage rate from another lender with which the credit broker had referral arrangements at the relevant time.

6.3.24 R If the lender has determined that there was an unfair relationship arising out of a failure to provide adequate disclosure of more than one of the relevant arrangements, the presumption of loss or damage may only be rebutted if the condition for rebuttal applies in relation to each of those failures.

6.3.25 R If the presumption of loss and damage is not rebutted, the lender must determine that the unfair relationship caused the consumer loss or damage.

Stage 2: loss or damage assessment – next steps

- 6.3.26 R (1) If the lender determines that the unfair relationship caused loss or damage to the consumer, the lender must proceed to the fourth step in *CONRED* 6.4.
- (2) If the lender determines that the unfair relationship did not cause loss or damage to the consumer (because the presumption was rebutted in accordance with *CONRED* 6.3.22R), the lender must:
- (a) inform the consumer of that determination and the reasons for it in a provisional redress decision sent in a durable medium that contains the information set out in *CONRED* 6 Annex 2; and
 - (b) provide the consumer with 1 *month* to respond.

Responses to third step provisional redress decisions: lender obligations

- 6.3.27 R (1) This rule applies where a lender has sent a provisional redress decision under:
- (a) *CONRED* 6.3.20R(2); or
 - (b) *CONRED* 6.3.26R(2).
- (2) If the consumer responds to the provisional redress decision within 1 *month* stating that they do not wish to have their case considered under this scheme, the lender must, within a 7-*day* period beginning on the day the response is received, send the consumer a communication to:
- (a) acknowledge the response; and
 - (b) explain that the *complaint* will not be dealt with any further.
- (3) If the consumer responds to the provisional redress decision within 1 *month* stating that they accept the decision, the lender must, within a 7-*day* period beginning on the day the response is received, send the consumer a communication acknowledging the acceptance.
- (4) If a consumer responds to the provisional redress decisions within 1 *month* objecting to the decision, the lender must:
- (a) send an acknowledgment containing the information set out in *CONRED* 6 Annex 10.1R within 7 *days*, requiring the consumer to provide further details of the objection, including any evidence supporting the objection, within 1 *month* of the date of the acknowledgement;
 - (b) decide whether it should proceed to stage 2 of the third step in respect of cases relating to (1)(a) and the fourth step in respect of cases relating to (1)(b) on the basis of the objection, including any representations and any supporting evidence from the consumer; and
 - (c) undertake one of the actions set out in (5) within 2 *months* of:
 - (i) the *day* it receives the further details of the objection; or
 - (ii) where the lender receives no further details within 1 *month* of the date of the acknowledgement in accordance with (a), the date of the expiry of that 1 *month* period.
- (5) The actions in (4)(c) are:
- (a) send a *redress determination* confirming the provisional redress decision and containing the information in *CONRED* 6 Annex 3; or

- (b) complete the remaining steps under this chapter necessary to provide the consumer with their next provisional redress decision or *redress determination*.
- (6) Where the lender accepts the consumer's objection, provided in accordance with (4), it must proceed to the next stage or step.
- (7) Where the consumer does not respond to the provisional redress decision referred to in (1) within 1 *month*, the lender must send a *redress determination* confirming the provisional redress decision in the form set out in *CONRED 6 Annex 3* within 1 *month* of the expiry of that period.
- (8) Any communication sent by a lender under this *rule* must be sent in a durable medium.

6.4 Fourth and fifth steps: calculating and paying redress

Fourth step: calculating redress

- 6.4.1 G (1) Where a lender has determined that, in relation to a scheme case, there was an unfair relationship under *CONRED 6.3* and the consumer has suffered loss or damage as a result, the lender must calculate the amount of redress payable in accordance with *CONRED 6.4.3R* to *CONRED 6.4.35R*.
- (2) Where there was a failure to provide adequate disclosure of a high commission arrangement together with a tied arrangement or a discretionary commission arrangement or both, the lender must determine whether there was a very high commission arrangement, and, if so, calculate redress in accordance with the commission repayment remedy (*CONRED 6.4.4R*).
- (3) In all other cases, except where *CONRED 6.4.6R* applies, the lender must calculate redress in accordance with the hybrid remedy *CONRED 6.4.15R* to *6.4.16R* and calculate and, where required, apply the caps in *CONRED 6.4.19R* to *6.4.21R*.
- (4) *CONRED 6.4.6R* applies to a scheme case under the hybrid remedy, where the consumer paid a minimal cost of credit, offered to 5% of the market at the time (excluding 0% APR agreements). In such cases, no redress is payable.
- 6.4.2 R All references to redress or redress amount in this section include compensatory interest, calculated in accordance with *CONRED 6.4.34R*.

The commission repayment remedy

- 6.4.3 R (1) The commission repayment remedy applies where the lender has determined in accordance with *CONRED 6.3* that there was an unfair

relationship causing loss or damage arising from a failure to provide adequate disclosure of;

- (a) a high commission arrangement that was also a very high commission arrangement; and
- (b) either or both of:
 - (i) a tied arrangement;
 - (ii) a discretionary commission arrangement.

- (2) The lender must calculate the commission repayment remedy in accordance with *CONRED* 6.4.4R.

- 6.4.4 R (1) The amount of redress payable to the consumer under the commission repayment remedy is the sum of A and B where:
- (a) 'A' is the total amount of commission payable; and
 - (b) 'B' is compensatory interest on that amount, calculated using the approach in *CONRED* 6.4.34R, applied from the date the consumer entered into the motor finance agreement until the date of redress payment.
- (2) For the purpose of calculating compensatory interest for the provisional redress decision and the *redress determination*, the 'date of redress payment' is the date the relevant communication is sent.

The hybrid remedy and applicable caps

- 6.4.5 R (1) The hybrid remedy applies in all scheme cases where the lender has determined in accordance with *CONRED* 6.3 that there was an unfair relationship causing loss or damage, other than where the commission repayment remedy applies (*CONRED* 6.4.3R).
- (2) Except where *CONRED* 6.4.6 applies, for each scheme case, the lender must:
- (a) calculate the commission repayment remedy in accordance with *CONRED* 6.4.4R;
 - (b) calculate the total APR adjustment in accordance with *CONRED* 6.4.8R to *CONRED* 6.4.14R;
 - (c) apply the amounts calculated under (a) and (b) to the hybrid formula in accordance with *CONRED* 6.4.16R;
 - (d) calculate the adjusted commission plus interest cap, the adjusted realised cost of credit cap, and, where applicable, the total realised cost of credit cap in accordance with *CONRED* 6.4.19R to *CONRED* 6.4.21R; and

- (e) apply the caps where necessary to determine the amount of redress payable to the consumer under the hybrid remedy in accordance with *CONRED* 6.4.22R.

No redress for hybrid cases with minimal cost of credit

6.4.6 R (1) Where the annual percentage rate of charge paid by the consumer is less than or equal to the 5th percentile annual percentage rate of charge for the year in which the motor finance agreement was executed, as set out in the table in *CONRED* 6.4.7R, the lender must assess the amount of redress payable to the consumer as £0.

(2) Where (1) applies, the lender must:

- (a) inform the consumer of the assessment in (1) and reasons for it in a provisional redress decision in a durable medium that contains the information in *CONRED* 6 Annex 2;
- (b) provide the consumer with 1 *month* to respond to the communication in (a); and
- (c) consider any response to the provisional redress decision in accordance with *CONRED* 6.4.37R.

6.4.7 R Table: Minimal cost of credit by year for the purpose of *CONRED* 6.4.6R, *CONRED* 6.4.20R and *CONRED* 6.4.23R(8)

Year	5th percentile APR (excluding 0% APR agreements)
2007	6.90
2008	5.90
2009	5.90
2010	5.66
2011	4.90
2012	4.73
2013	4.80
2014	4.20

The total APR adjustment

- 6.4.8 R The lender must follow the stages in *CONRED* 6.4.9R to *CONRED* 6.4.14R to calculate the total APR adjustment.
- 6.4.9 R (1) Stage 1: the lender must first determine the market adjusted APR for the motor finance agreement.
- (2) The market adjusted APR is the annual percentage rate of charge paid by the consumer under the motor finance agreement with the lender multiplied by 0.79.
- (3) Where the motor finance agreement includes a discretionary commission arrangement and the lowest rate of interest in the range of interest rates that could have been selected by the credit broker is higher than the figure calculated in (2), the lowest rate of interest should be used instead of the market adjusted APR.
- 6.4.10 R (1) Stage 2: the lender must create a schedule of the consumer's payments under the motor finance agreement.
- (2) Where all actual payment dates and payment amounts are available and the consumer made early settlement payment(s) or partial early settlement payment(s) the lender must recreate the schedule of actual payments, using the annual percentage rate of charge under the motor finance agreement ('option 1').
- (3) Where option 1 does not apply, the lender must create a schedule using the payment dates and payment amounts contractually agreed under the terms of the motor finance agreement ('option 2') where this is possible.
- (4) Where option 1 does not apply and it is not possible to create a schedule under option 2, the lender must create an equivalent schedule by applying the amortisation formula at (5), using the annual percentage rate of charge under the motor finance agreement, and assume, when applying this formula, that the motor finance agreement ran for the agreed term and the lender and consumer fulfilled their obligations under the terms of that agreement ('option 3').
- (5) The amortisation formula is:
- $$M = (P \times r) / (1 - (1 + r)^{-n})$$
- where:
- (a) M = monthly payment;
- (b) P = principal (amount borrowed);

- (c) r = monthly interest rate (which is the annual percentage rate of charge paid by the consumer under the motor finance agreement divided by 12); and
- (d) n = total number of monthly payments (term in months).
- (6) Where in (3) and (4) (options 2 and 3) there is information to suggest that the consumer made early settlement payment(s) under the motor finance agreement, the lender must calculate these using the formula in regulation 4 of the Consumer Credit (Early Settlement) Regulations 2004 and replace any monthly payments with the early settlement payment(s).
- 6.4.11 R (1) Stage 3: the lender must create a schedule of the consumer's market adjusted payments.
- (2) Where *CONRED* 6.4.10R(2) or (3) apply (options 1 or 2), the lender must calculate all market adjusted payments, including any early settlement payments, by substituting the annual percentage rate of charge under the motor finance agreement with the market adjusted APR calculated in accordance with *CONRED* 6.4.9R.
- (3) Where *CONRED* 6.4.10R(4) applies (option 3), the lender must calculate all market adjusted payments using the amortisation formula in *CONRED* 6.4.10R(5), where r equals the market adjusted APR calculated in *CONRED* 6.4.9R, divided by 12. The lender must also calculate any early settlement payment(s) by substituting the annual percentage rate of charge with the market adjusted APR.
- 6.4.12 R (1) Stage 4: the lender must create a schedule of payment differentials using the formula:
- $$A - B$$
- where:
- (a) 'A' is the consumer's payments under the motor finance agreement calculated in accordance with *CONRED* 6.4.10R; and
- (b) 'B' is the corresponding market adjusted payments calculated in accordance with *CONRED* 6.4.11R.
- (2) Where option 1 in *CONRED* 6.4.10R(2) applies and the formula at (1) would produce a negative figure, the lender must adopt the actual payment made under the motor finance agreement as the market adjusted payment and set the payment differential to £0 in the schedule.
- 6.4.13 R (1) Stage 5: the lender must calculate the amount of compensatory interest payable on the payment differentials set out in the schedule created under *CONRED* 6.4.12R.

- (2) Compensatory interest payments are calculated in accordance with *CONRED* 6.4.34R.
- (3) For the purpose of calculating compensatory interest for the provisional redress decision and *redress determination*, the ‘date of redress payment’ is the date the relevant communication is sent.

6.4.14 R Stage 6: the lender must calculate the total APR adjustment, which is the sum of:

- (1) all payment differentials in the schedule created in accordance with *CONRED* 6.4.12R; and
- (2) all compensatory interest payments on those payment differentials calculated in accordance with *CONRED* 6.4.13R.

The hybrid formula

6.4.15 R The lender must calculate the amount of redress using the formula in *CONRED* 6.4.16R.

6.4.16 R The hybrid formula is:

$$(C + D) / 2$$

where:

- (1) ‘C’ is the amount calculated in accordance with *CONRED* 6.4.4R (the commission repayment remedy).
- (2) ‘D’ is the amount calculated in accordance with *CONRED* 6.4.14R (the total APR adjustment).

Caps applying to the hybrid remedy

6.4.17 G Where the amount of redress calculated using the hybrid formula exceeds the value of any of the caps calculated in *CONRED* 6.4.19R to *CONRED* 6.4.21R, the amount of redress payable is the lowest amount calculated under any of these caps.

6.4.18 R The lender must calculate each of the caps in accordance with *CONRED* 6.4.19R and *CONRED* 6.4.20R, and, where applicable, *CONRED* 6.4.21R.

6.4.19 R The lender must calculate the adjusted commission plus interest cap by multiplying the amount calculated in accordance with *CONRED* 6.4.4R (the commission repayment remedy) by 0.9.

6.4.20 R The lender must calculate the adjusted realised cost of credit cap in accordance with the stages set out in (1) to (5):

- (1) Stage 1 – adopt the schedule of the consumer’s payments under the motor finance agreement created in *CONRED* 6.4.10R.

- (2) Stage 2 – create a separate ‘5th percentile’ schedule by:
 - (a) substituting the annual percentage rate of charge in the consumer’s payment schedule (stage 1) with the 5th percentile annual rate of charge set out in the table at *CONRED* 6.4.7R for the year in which the motor finance agreement was executed; and
 - (b) recalculating each payment made under the agreement using that rate.
- (3) Stage 3 – create a schedule of payment differentials using the formula:

$$A - E$$
 where:
 - (a) ‘A’ is the consumer’s payments under the motor finance agreement (stage 1); and
 - (b) ‘E’ is the corresponding 5th percentile annual rate of charge payments calculated at stage 2.
- (4) Stage 4 – calculate compensatory interest on the payment differentials in the schedule created at stage 3 in accordance with *CONRED* 6.4.34R(2)(b) and (3) to (5).
- (5) Stage 5 – calculate the adjusted realised cost of credit cap, which is the sum of all payment differentials calculated at stage 3 and all compensatory interest payments on those payment differentials calculated at stage 4.

- 6.4.21 R (1) Where the lender can identify the total value of all payments made by the consumer under the motor finance agreement, the lender must also calculate the total realised cost of credit cap.
- (2) The total realised cost of credit cap is the sum of A and B, where:
- (a) ‘A’ is the total value of all actual payments made by the consumer under the motor finance agreement minus the total amount of credit; and
 - (b) ‘B’ is compensatory interest on that amount calculated using the interest rate formula in *CONRED* 6.4.34R(2)(a) and (3) to (5), applied from the date the consumer entered into the motor finance agreement until the date of the redress payment.

Final redress calculation where the hybrid remedy applies

- 6.4.22 R Redress payable to the consumer under the hybrid remedy is:

- (1) the amount calculated under the hybrid formula in *CONRED* 6.4.16R;
or
- (2) where the amount at (1) exceeds the value of any of the caps calculated in *CONRED* 6.4.19R to *CONRED* 6.4.21R, the lowest amount calculated under any of these caps.

Calculating redress in scheme cases involving more than one motor finance agreement

- 6.4.23 R (1) This *rule* applies where, in a scheme case, a single motor vehicle sales transaction was financed by more than one motor finance agreement.
- (2) The lender must calculate the total amount of commission and assess whether the definition of a very high commission arrangement is met in accordance with *CONRED* 6.1.5R(4)(a) and (4)(b).
- (3) The commission repayment remedy applies where the lender has determined that, in relation to the scheme case, there was an unfair relationship causing loss or damage arising from a failure to provide adequate disclosure of:
- (a) a high commission arrangement that was also a very high commission arrangement, assessed in accordance with (2); and
 - (b) either or both of:
 - (i) a tied arrangement;
 - (ii) a discretionary commission arrangement.
- (4) (a) Where (3) applies, the lender must calculate the commission repayment remedy in accordance with *CONRED* 6.4.4R for each motor finance agreement.
- (b) The total redress is the sum of the amounts calculated in (a).
- (5) In all other cases, the hybrid remedy applies, and the lender must calculate:
- (a) (i) the commission repayment remedy in accordance with (4) and the total APR adjustment in accordance with *CONRED* 6.4.9R to *CONRED* 6.4.14R, for each motor finance agreement; and
 - (ii) redress under the hybrid remedy, by applying the amounts in (i) to the hybrid formula in *CONRED* 6.4.16R for each motor finance agreement and then calculating the sum of these amounts;

- (b) the adjusted commission plus interest cap in accordance with *CONRED* 6.4.19R, for each motor finance agreement and then the sum of these amounts;
 - (c) the adjusted realised cost of credit cap in accordance with *CONRED* 6.4.20R for each motor finance agreement and then the sum of these amounts;
 - (d) the total realised cost of credit cap in accordance with *CONRED* 6.4.21R, where this can be calculated for all motor finance agreements, and then the sum of these amounts.
- (6) The total redress payable is the lowest amount calculated under (5)(a)(ii) to (d).
- (7) When calculating the commission repayment remedy in (4) and the adjusted commission plus interest cap in (5)(b), where the total amount of commission payable in relation to any agreement involved in the transaction is not known, the lender must divide the total amount of commission calculated in accordance with (2) by the number of agreements involved in the transaction, and then apportion these equal amounts to each motor finance agreement involved in the transaction.
- (8) Where the hybrid remedy applies to a scheme case and the annual percentage rate of charge under an agreement involved in the transaction is less than or equal to the minimal annual percentage rate of charge set out in the table at *CONRED* 6.4.7R, the lender must assess the amount of redress for that agreement as £0 and include this in the sum in (5)(a)(ii).

Redress set-off against undisputed arrears and defaults

- 6.4.24 R (1) The lender may set-off redress against any undisputed arrears or default sums owed by the consumer to the lender in relation to the motor finance agreement where:
- (a) an offer is made to the consumer in accordance with *CONRED* 6.2.7R; or
 - (b) redress is payable under either the commission repayment remedy (*CONRED* 6.4.4R) or the hybrid remedy (*CONRED* 6.4.22R).
- (2) Where a single motor vehicle sales transaction is financed by more than one motor finance agreement, the lender may set off redress against one or more of the agreements relating to the transaction where there are undisputed arrears or default sums owed by the consumer under that agreement.
- 6.4.25 R Where the lender sets-off any redress in accordance with *CONRED* 6.4.24R, the lender must provide the consumer with the relevant details in the

provisional redress decision (*CONRED* 6.4.36R and *CONRED* 6 Annex 2) and the *redress determination* where applicable (*CONRED* 6.4.37R(5) and *CONRED* 6 Annex 3).

- 6.4.26 R (1) The lender must remove any set-off in the redress determination where the consumer has objected to set-off being applied and the lender has determined that the objection satisfies one or more of the conditions in (2).
- (2) The conditions are that the consumer:
- (a) has provided evidence that they had disputed the arrears or default sums prior to the date of the provisional redress decision and this matter had not been resolved by the lender or by some other means; and/or
 - (b) has demonstrated that if set off is applied, the consumer would not be able to meet their priority debts.
- (3) When considering a consumer's objection to set off being applied, a lender must assess the objection and evidence in support fairly and in good faith.
- (4) The lender must respond to the consumer's objection to set off being applied in accordance with *CONRED* 6.4.37R.

Redress calculations – approach to evidence and missing information

- 6.4.27 R (1) In order to calculate redress in accordance with *CONRED* 6.4, the lender must:
- (a) first, consider information and data contained in primary records of the type set out in *CONRED* 6 Annex 1.1G(1) and (3); and
 - (b) then, where appropriate, consider whether reasonable assumptions can be made regarding the consumer's motor finance agreement by relying on contemporaneous records of the type described in *CONRED* 6 Annex 1.1G(4).
- (2) Where the lender does not have the necessary records, it must request these from the relevant credit broker.
- 6.4.28 R Where a credit broker either does not respond to the request for information in *CONRED* 6.4.27R(2) within 1 *month* or the credit broker only partially responds, the lender must send a further request as soon as practicable, providing a further 14 *days* for the credit broker to respond.
- 6.4.29 R A credit broker, where it receives a request for information from a lender under *CONRED* 6.4.27R(2), must comply with *CONRED* 6.2.28R.

6.4.30 R Where the lender has complied with *CONRED* 6.4.27R and the relevant information necessary to calculate redress continues to be missing, it must either:

- (1) contact the consumer and/or an appropriate third party such as a *credit reference agency* to provide some or all of the missing information and then rely on the approach to reconstructing missing information in *CONRED* 6.4.31R where the information has not been obtained; or
- (2) rely on the approach to reconstructing missing information in *CONRED* 6.4.31R, without first taking the steps in (1).

Approach to reconstructing missing information

6.4.31 R (1) Where appropriate, the lender must reconstruct missing data using contemporaneous records of the type described in *CONRED* 6 Annex 1.1G(1), (3) and (4) relating to other consumers.

(2) The other consumers referenced in (1) must have been in the same or sufficiently similar position as the consumer in the scheme case and would have received an annual percentage rate of charge which was the same or sufficiently similar to the annual percentage rate of charge that the consumer in the scheme case received.

(3) The lender's determination must take into account:

- (a) the year of the transaction;
- (b) the type and value of the vehicle purchased, bailed or hired;
- (c) the amount of credit obtained; and
- (d) the cost of that credit relative to the value of the vehicle.

6.4.32 R Where it is not possible to reconstruct missing information in accordance with *CONRED* 6.4.31R, the lender must adopt the approach set out in *CONRED* 6.4.33R for the relevant value.

6.4.33 R (1) Where the annual percentage rate of charge is missing, the lender must use:

- (a) the median of the annual percentage rates of charge under all motor finance agreements entered into by the lender following an introduction effected by the relevant credit broker in the financial year the motor finance agreement was entered into; or
- (b) where (a) is not available, an annual percentage rate of charge which is the median annual percentage rate of charge under all motor finance agreements from a credit broker to whom the lender offered the same or sufficiently similar terms of

engagement or business for the financial year in which the motor finance agreement was entered into.

- (2) Where the commission amount is missing, the lender must use:
 - (a) a commission amount which is the median of the commission amounts under all motor finance agreements entered into by the lender following an introduction effected by the relevant credit broker in the financial year the motor finance agreement was entered into; or
 - (b) where (a) is not available, a commission amount which is the median annual commission amount under all motor finance agreements from a credit broker to whom the lender offered the same or sufficiently similar terms of engagement or business for the financial year in which the motor finance agreement was entered into.
- (3) Where the total amount of credit is missing, the lender must:
 - (a) adopt a value using a motor valuation guide such as AutoTrader, CAP, Percayso and Glass's for the relevant motor vehicle and the relevant year, deducting 10% to reflect a typical deposit payment; or
 - (b) where the relevant year is not available in the motor valuation guides in (a):
 - (i) contact either a relevant third party such as a *credit reference agency* or take all reasonable steps to contact the consumer to obtain this information; or
 - (ii) contact both a relevant third party and the consumer where enquiries under (i) have not resulted in the lender obtaining the total amount of credit; and
 - (c) where the lender has not managed to obtain the information as a result of enquiries in (a) or (b), use a motor valuation guide of the type specified in (a) to adopt a value for the relevant motor vehicle based on the closest year the lender can obtain a valuation for at the point at which the consumer entered into the motor finance agreement, deducting 10% to reflect a typical deposit payment.
- (4) Where the start date or execution date for the motor finance agreement is missing, the lender must use:
 - (a) the first *day* of the *month* in which the lender has evidence of the consumer first making a payment or charges applying under the motor finance agreement; or

- (b) if there is no evidence of the first payment or initial charges, the *day 'X' months* before the date the last regular payment was due under the agreement, where 'X' is the term of the agreement in *months*; or
- (c) where it is not possible to determine the start date or execution date in accordance with (a) or (b):
 - (i) for new motor vehicles, the first *day* of the time period associated with the vehicle's registration, namely:
 - (A) 1 March for vehicles registered between 1 March and 31 August; and
 - (B) 1 September for vehicles registered between 1 September and the last *day* of February; or
 - (ii) for used or second-hand motor vehicles, any information that indicates when the credit broker acquired the motor vehicle, such as date of purchase; or
 - (iii) where it is not possible to determine the start date or execution date in accordance with (i) or (ii), 48 *months* prior to the date the last regular payment was due under the agreement.
- (5) Where the date the last regular payment was due under the motor finance agreement or the date by which any fee associated with taking ownership must be paid is missing, the later of:
 - (a) the last *day* of the *month* in which the lender has evidence of the consumer making a final payment or final charges applying under the agreement; and
 - (b) the *day* 48 *months* after the start date or the date the agreement was executed.
- (6) Where the actual end date of the motor finance agreement is not available, the lender must use:
 - (a) the last *day* of the *month* in which the lender has evidence of the consumer making a final payment or final charges applying under the agreement;
 - (b) if there is no evidence of the final payment or final charges, the *day 'X' months* after the start date or the date the agreement was executed, where 'X' is the term of the agreement in *months*;

- (c) if it is not possible to determine the end date in accordance with (a) or (b), the *day 48 months* after the start date or the date the agreement was executed.
- (7) Where the lowest rate of interest in the range of interest rates under the discretionary commission arrangement is not available, the lender must adopt:
- (a) the actual annual percentage rate of charge multiplied by 0.79; or
 - (b)
 - (i) the median of the minimum rates under all motor finance agreements entered into by the lender following an introduction effected by the relevant credit broker in the financial year the motor finance agreement was executed; or
 - (ii) where (i) is not possible, the median of the minimum rates under all motor finance agreements from a credit broker to whom the lender offered the same or sufficiently similar terms of engagement or business for the financial year in which the motor finance agreement was executed.
- (8) Where necessary information to calculate early settlement payment(s) is not available, the lender must assume that the motor finance agreement remained valid for the agreed term, and the lender and consumer fulfilled their obligations under the terms and by the dates specified in that agreement.

Calculation methodology for compensatory interest

- 6.4.34 R (1) This *rule* sets out how the lender must calculate compensatory interest as part of the commission repayment remedy in *CONRED* 6.4.4R, the total APR adjustment in *CONRED* 6.4.14R, the adjusted realised cost of credit cap in *CONRED* 6.4.20R and the total realised cost of credit cap in *CONRED* 6.4.21R.
- (2) (a) In relation to the commission repayment remedy and the total realised cost of credit cap, the lender must divide the period from the date the consumer entered into the motor finance agreement until the date of redress payment into calendar year segments.
- (b) In relation to the total APR adjustment calculations and the adjusted realised cost of credit cap, the lender must:
- (i) for each payment differential in the schedule in *CONRED* 6.4.12R and *CONRED* 6.4.20R(3), identify the date the payment differential occurred and the date

of redress payment to create a list of interest periods;
and

- (ii) divide each interest period in (i) into calendar year segments.

(3) For each calendar year segment, the lender must:

- (a) identify the compensatory interest rate from the table in *CONRED* 6.4.35R that applies to that year;
- (b) calculate the number of *days* for which that rate applies in that calendar year; and
- (c) apply the formula in (4).

(4) The formula is:

Calendar year segment interest amount

$$= \text{principal} \times \text{compensatory interest rate for that year} \times \left(\frac{\text{days}}{365^*}\right)$$

(* if the calendar year is a leap year, the denominator is 366)

where:

- (a) the principal is either:
 - (i) the total amount of commission payable, when calculating interest in relation to the commission repayment remedy; or
 - (ii) the total realised cost of credit calculated in accordance with *CONRED* 6.4.21R, when calculating interest in relation to the total realised cost of credit cap; or
 - (iii) each payment differential set out in the schedule produced in accordance with *CONRED* 6.4.12R, when calculating interest in relation to the total APR adjustment; or
 - (iv) each payment differential set out in the schedule produced in accordance with *CONRED* 6.4.20R(3) when calculating interest in relation to the adjusted realised cost of credit cap; and
- (b) compensatory interest rate is the rate that applies for that calendar year as set out in the table in *CONRED* 6.4.35R.

(5) The lender must sum the interest amounts for all calendar year segments to calculate the total compensatory interest.

6.4.35 R Table: Compensatory interest rates used in *CONRED* 6.4.34R for the purposes of calculating redress

Compensatory interest rates 2007–2028			
2007	6.51%	2018	3%
2008	5.68%	2019	3%
2009	3%	2020	3%
2010	3%	2021	3%
2011	3%	2022	3%
2012	3%	2023	5.68%
2013	3%	2024	6.11%
2014	3%	2025	5.25%
2015	3%	2026	4.49%
2016	3%	2027	4.4%
2017	3%	2028	4.6%

Fifth step: sending a provisional redress decision and redress determination following redress calculations and paying redress

- 6.4.36 R (1) This *rule* applies where a lender has:
- (a) calculated the amount of redress payable to the consumer under *CONRED* 6.4.4R (the commission repayment remedy) or *CONRED* 6.4.22R (the hybrid remedy); and
 - (b) where relevant, set-off any undisputed arrears or defaults against that redress amount in accordance with *CONRED* 6.4.24R.
- (2) The lender must send the consumer a provisional redress decision in a durable medium that contains the information in *CONRED* 6 Annex 2 and includes:
- (a) the basis for the lender's determination that there was an unfair relationship that caused loss or damage;
 - (b) the total amount of redress payable to the consumer as an offer in full and final settlement of all claims against the

lender within the subject matter of the scheme relating to the agreement;

- (c) details of the calculations the lender made under *CONRED* 6.4.3R to *CONRED* 6.4.34R to determine the total amount of redress, clearly setting out the methodology used, any evidential assumptions and reconstructions relied on, the amount of compensatory interest included in these calculations and any proposed set-off for undisputed arrears or default sums; and
- (d) that the consumer has 1 *month* from the date of the provisional redress decision to respond.

Handling a response to the provisional redress decision

- 6.4.37 R (1) This *rule* applies where a lender has sent a provisional redress decision under *CONRED* 6.2.7R(1), *CONRED* 6.4.6R or *CONRED* 6.4.36R.
- (2) Where the consumer responds to the provisional redress decision within 1 *month* stating that they do not wish to have their case considered under this scheme, the lender must, within a 7-day period beginning on the day the response is received, send the consumer a communication in a durable medium to:
 - (a) acknowledge the response; and
 - (b) explain that the *complaint* will not be dealt with any further.
 - (3) Where the consumer responds to the provisional redress decision within 1 *month* stating that they accept the decision in full and final settlement, the lender must, within a 7-day period beginning on the day the response is received, send the consumer a communication acknowledging the acceptance.
 - (4) Where a consumer responds to the provisional redress decision within 1 *month* objecting to the decision, the lender must:
 - (a) send an acknowledgment containing the information in *CONRED* 6 Annex 10.1R within 7 *days*, requiring the consumer to provide further details of the objection, including any evidence supporting the objection, within 1 *month* of the date of the acknowledgement;
 - (b) decide whether it should revise the provisional redress decision and recalculate the amount of redress payable based on the consumer's objection and any supporting evidence; and
 - (c) undertake one of the actions set out in (5) within 2 *months* of:

- (i) the day it receives the further details of the objection; or
 - (ii) where it receives no further details within 1 *month* of the date of the acknowledgement in accordance with (a), the date of the expiry of that 1 *month* period.
- (5) The actions in (4)(c) are to either:
 - (a) send a *redress determination* containing the information in *CONRED* 6 Annex 3 that confirms:
 - (i) that the lender has rejected the consumer's objection; and
 - (ii) the total amount of redress payable to the consumer in full and final settlement of all claims within the subject matter of the scheme relating to this case; or
 - (b) send a *redress determination* containing the information in *CONRED* 6 Annex 3 that confirms:
 - (i) the lender's acceptance of the consumer's objection; and
 - (ii) the revision of the provisional redress decision and recalculated total amount of redress payable in full and final settlement of all claims within the subject matter of the scheme relating to this case.
- (6) Where the consumer does not respond to the provisional redress decision within 1 *month*, the lender must send a *redress determination* confirming the provisional redress decision and containing the information in *CONRED* 6 Annex 3 within 1 *month* of the expiry of that period.
- (7) Where the consumer responds to the *redress determination* within a minimum of 6 *months* stating that they accept the determination in full and final settlement, the lender must, within a 7-day period, beginning on the day the response is received, send the consumer a communication acknowledging the acceptance.
- (8) Any communication sent by a lender under this *rule* must be sent in a durable medium.

Paying redress

- 6.4.38 R (1) Where a lender receives an acceptance of the provisional redress decision sent in accordance with *CONRED* 6.2.7R(1) or *CONRED* 6.4.36R or the *redress determination* sent in accordance with *CONRED* 6.4.37R(5) or *CONRED* 6.4.37R(6), it must recalculate the

amount of compensatory interest payable as part of the redress calculations to reflect the actual redress payment date.

- (2) Where the motor finance agreement is ongoing, and there are no undisputed arrears or default sums, the lender:
 - (a) may provide the consumer with the option of offsetting the amount of redress against any outstanding principal instead of receiving it as a separate payment; and
 - (b) must offset the amount of redress against the outstanding principal where the consumer gives consent to do so.
- (3) Within 1 *month* of receiving acceptance of the provisional redress decision or the *redress determination*, the lender must pay the amount of redress to the consumer either by bank transfer or in accordance with the consumer's instructions.

Post redress interest until payment

- 6.4.39 R (1) Simple interest is payable on the amount of redress from the end of the 1-*month* period referred to in *CONRED* 6.4.38R(3) until the date of payment of redress, at a rate of 8% per annum.
- (2) After the expiry of the 1-*month* period in *CONRED* 6.4.38R(3), the amount of redress, including interest, may be recovered as a debt due to the consumer and, in particular, may:
- (a) if a county court so orders in England and Wales, be recovered by execution issued from the county court (or otherwise) as if it were payable under an order of that court;
 - (b) be enforced in Northern Ireland as a money judgment under the Judgments: Enforcement (Northern Ireland) Order 1981; or
 - (c) be enforced in Scotland by the sheriff, as if it were a judgment or order of the sheriff whether or not the sheriff could themselves have granted such judgment or order.

Exceptional circumstances

- 6.4.40 R (1) Where a lender receives a communication set out in (2) after a deadline specified by this chapter due to exceptional circumstances (taking account of all of the circumstances of the case), the response must be considered under this chapter as if it had been received before that deadline.
- (2) The communications referred to in (1) are:

- (a) a response to a communication sent to a consumer under this chapter; and
 - (b) a *complaint* the lender would have been required to consider under *CONRED* 6.2.17(R)(2) had it been received before the end of the 17-month period referred to in that *rule*.
- (3) Where (1) applies, the time limits in this chapter are extended according to the length of delay caused by the customer's failure to comply with the deadline.
- 6.4.41 G In the *FCA*'s view, examples of circumstances that are exceptional under *CONRED* 6.4.40R might include:
- (1) the consumer's incapacitation or other serious ill-health condition or a bereavement during the relevant period; or
 - (2) where the lender failed to comply with the requirements in this chapter.

Payment of redress by successors

- 6.4.42 R (1) A successor is liable for a portion of the redress, calculated by the lender in accordance with *CONRED* 6.4.44R.
- (2) A successor must promptly pay its portion of the redress to the lender.
- 6.4.43 G (1) *CONRED* 6.4.42R(2) clarifies how a successor discharges its portion of the liability, but this is without prejudice to any rights of indemnity or contribution a successor may have against a lender under the contractual arrangements between them or pursuant to the Civil Liability (Contribution) Act 1978.
- (2) The obligation on a successor to pay the lender promptly under *CONRED* 6.4.42R(2) is to allow the lender to make a single payment to the consumer for the full redress amount and within the timeframes required by the scheme.
- (3) *CONRED* 6.4.42R(2) does not allow for multiple payments to a consumer. A lender is responsible under *CONRED* 6.4.38R(3) for making a single payment of redress to consumers within the timeframes required by the scheme, including when there is a successor.
- 6.4.44 R (1) For all scheme cases where the lender has identified a successor, the lender must calculate the successor's liability using the successor liability formula.

- (2) The successor liability formula is:

$$S = (R / T) \times D$$

where:

- (a) S = successor's liability;
 - (b) R = redress payable to a consumer;
 - (c) T = term of the relevant loan represented in *days*; and
 - (d) D = number of days for which the successor holds the loan.
- (3) The reference in *CONRED* 6.4.44R(2) to the successor holding the loan is to be read as meaning the period beginning on the day the *person* became a successor of the relevant motor finance agreement and, if relevant, ending the day before another *person* became a successor of the same motor finance agreement.

6.5 Taking steps by or on behalf of the FCA

- 6.5.1 R (1) Where there has been a material failure by the lender to take any of the actions required under this chapter, the *FCA* may:
- (a) take any of the steps in *CONRED* 6.2 to *CONRED* 6.4 in place of the lender; or
 - (b) appoint one or more competent persons to take any of the steps in *CONRED* 6.2 to *CONRED* 6.4 in place of the lender.
- (2) The *FCA* must give the lender notice before taking any steps under (1).
- 6.5.2 R Where the *FCA* gives notice in the circumstances described in *CONRED* 6.5.1R(1), the lender must:
- (1) not carry out (or, as the case may be, cease to carry out) any of the steps to be taken by the *FCA* or the competent person, unless so directed by the *FCA* or the competent person (as applicable); and
 - (2) render all reasonable assistance to the *FCA* or the competent person.
- 6.5.3 R A lender must, in rendering all reasonable assistance to the *FCA*, ensure that the *FCA* has access to all primary and secondary records and, to the extent that there are gaps in those records, request them from the appropriate person in accordance with the *rules* in this chapter.
- 6.5.4 R The competent person may request relevant records and information directly from the credit broker, providing them with 1 *month* to respond.

- 6.5.5 R If a credit broker does not respond to the request for information in *CONRED* 6.5.4R within 1 *month*, or if the credit broker only partially responds, the competent person may send a further communication in a durable medium, providing a further 14 *days* for the credit broker to respond.
- 6.5.6 R Where a credit broker receives a request for information from a competent person under *CONRED* 6.5.4R or *CONRED* 6.5.5R, it must conduct a thorough search of its systems and respond to that request within the prescribed deadlines by either:
- (1) providing the requested information in the format requested or, if that is not reasonably practicable, a reasonable format; or
 - (2) confirming that it does not hold the requested information.
- 6.5.7 R (1) Where the *FCA* or a competent person takes any steps under *CONRED* 6.5.1R and the *FCA* proposes to make any determination of:
- (a) whether there has been a material failure by the lender to take any actions required under this chapter;
 - (b) whether a failure by a lender has caused loss to a consumer; or
 - (c) what the provisional redress sum must be in respect of the failures,
- the *FCA* must give the lender a *warning notice* specifying the proposed provisional determination.
- (2) The provisional redress sum in (1)(c) must be the amount that would be owed to a consumer if a *redress determination* was made pursuant to *CONRED* 6.4 on the same date as the *warning notice*.
- 6.5.8 R (1) If the *FCA* decides to make a determination of the matters in *CONRED* 6.5.7R, the *FCA* must give the lender a *decision notice* specifying the determination.
- (2) If the *FCA* makes such a determination, the lender may refer the matter to the *Tribunal*.
- 6.5.9 R Part 26 of the *Act* (including the provisions as to *final notices*) applies in respect of notices given under *CONRED* 6.5.7R and *CONRED* 6.5.8R.
- 6.5.10 G (1) Where, instead of the lender, the *FCA* or, where applicable, a competent person communicates with a consumer:
- (a) the *FCA* or the competent person must do so in its own name, making clear in the case of a competent person its authority from the *FCA* to do so; and

- (b) the *FCA* or the competent person must make such amendments to the communications in the forms set out in *CONRED* 6 Annex 2 to *CONRED* 6 Annex 10 as appropriate to reflect that they are being sent in the name of the *FCA* or the competent person.
- (2) Where, instead of the lender, the *FCA* or, where applicable, a competent person issues the *redress determination*:
 - (a) the *FCA* or the competent person must update the redress sum in the provisional decision no earlier than 1 *month* after the issue of a final notice in respect of the *FCA* 's decision to make a determination of the matters in *CONRED* 6.5.7R to reflect the amount that is owed at the time such *redress determination* is made; and
 - (b) the *FCA* or the competent person must send the lender a copy of the consumer's response to the *redress determination*.
- 6.5.11 G A fee is payable by the lender in any case where the *FCA* exercises its powers under *CONRED* 6.5.1R: see the table at *FEES* 3.2.7R.
- 6.5.12 G The completion of the steps in *CONRED* 6.2 to *CONRED* 6.4 by, or on behalf of, the *FCA*, as provided in *CONRED* 6.5.1R, does not affect the ability of the *Financial Ombudsman Service* to consider a *complaint*, in particular where the lender has not sent a *redress determination* in accordance with the time limits specified under the scheme.
- 6.6 Supervision and delegation of scheme process by firms**
- 6.6.1 R
 - (1) A lender must ensure that the steps required by this chapter are undertaken or supervised by the individual appointed by the lender under *DISP* 1.3.7R where that *rule* applies.
 - (2) Where *DISP* 1.3.7R does not apply, those steps must be taken or supervised by a *person* of appropriate experience and seniority.
- 6.6.2 G
 - (1) Any lender intending to outsource any of the obligations imposed on it under this chapter must have due regard to the *rules* and *guidance* on outsourcing which are applicable to it, notably in *SYSC*.
 - (2) A lender which outsources any of the obligations imposed on it under this chapter in respect of communications with consumers must ensure that those communications are clear as to the identity of the lender.

6.7 Provisions relating to communications with consumers

Consumer understanding outcomes

- 6.7.1 R *CONRED* 6.7.2R to *CONRED* 6.7.17R apply when a lender communicates with a consumer under this chapter.
- 6.7.2 R A lender must support its consumers' understanding so that its communications:
- (1) meet the information needs of those consumers;
 - (2) are likely to be understood by the consumers intended to receive the communications;
 - (3) equip those consumers to make decisions that are effective, timely and properly informed; and
 - (4) are tailored, taking into account the characteristics and needs of the consumers intended to receive the communication, including:
 - (a) any characteristics of vulnerability;
 - (b) the complexity of the relevant motor finance agreements;
 - (c) the communication channel used; and
 - (d) the lender's role.
- 6.7.3 R A lender must communicate information to consumers in a way which is clear, fair and not misleading.
- 6.7.4 R Where a lender is interacting directly with a consumer on a one-to-one basis, it must, where appropriate:
- (1) tailor its communications to meet the information needs of that consumer, taking account of whether they have any characteristics of vulnerability; and
 - (2) ask the consumer whether they understand the information and whether they have any further questions.
- 6.7.5 R A lender must monitor and adapt its communications to support understanding and good outcomes for consumers.
- 6.7.6 G The *FCA* expects lenders to ensure that information with respect to customer vulnerability is kept up to date. This information is needed for lenders to be able adapt their communications to support understanding and good outcomes for consumers under *CONRED* 6.7.5R.
- 6.7.7 R In considering methods of communicating with consumers, a lender must satisfy itself that the communication channel:

- (1) enables the communication of relevant information, which is required by this consumer redress scheme or which consumers are likely to need, in a way that supports effective decision-making; and
- (2) provides an appropriate opportunity for consumers to review the information and, where relevant, assess their options.

Communications: supplementary

- 6.7.8 R Whenever a lender sends a communication under a provision of this chapter containing information as set out in a specified Annex, it must:
- (1) enclose or attach any relevant documents and, where the communication is a letter, enable the consumer to respond free of charge by including pre-paid envelopes;
 - (2) where the communication is a *redress determination*, insert a link to, or include the URL of, the *Financial Ombudsman Service* in respect of such determination;
 - (3) complete the communication by following the instructions set out in the specified Annex; and
 - (4) comply with any instructions in the specified Annex.
- 6.7.9 R A lender must allocate a unique reference number to each scheme case it deals with and state this reference number in each communication it sends to a consumer.
- 6.7.10 R All communications to consumers required under this chapter which are letters must be printed on the letterhead of the lender.

Consumer factsheet

- 6.7.11 R Where a lender sends a consumer a provisional redress decision, a *redress determination* or an invitation to opt-in to the scheme as its first communication under the scheme with that consumer, it must send with that communication a consumer factsheet as set out in *CONRED 6 Annex 11.1R* in a durable medium.

Communication channels

- 6.7.12 R A lender must ensure that that the durable medium used to communicate with a consumer does not:
- (1) increase the risk of financial crime as compared to communicating by letter; or
 - (2) make it more difficult for that consumer to access the scheme than had the consumer been communicated with by letter.

Incorrect contact details

- 6.7.13 R (1) Where a lender holds contact details for a consumer and becomes aware that the details are out of date, it must:
- (a) take all reasonable steps to obtain up-to-date contact details for the consumer, including by contacting an appropriate third party such as a *credit reference agency*;
 - (b) where appropriate, resend any communication; and
 - (c) repeat any other steps to contact the consumer required by this chapter.
- (2) If, having complied with (1), a lender is unable to contact a consumer, it need not take any further action pursuant to this chapter in relation to that consumer unless (3) applies.
- (3) If, in relying on (2), the lender has ceased taking action but subsequently becomes aware of up-to-date contact details for that consumer, the lender must resend any communications and repeat the steps to contact the consumer required by this chapter.
- (4) The means by which the lender may become aware of up-to-date contact details under (3) include receiving an opt-in communication or a *complaint* from the consumer:
- (a) within 17 *months* of scheme effective date; or
 - (b) more than 17 *months* after the scheme effective date where the exceptional circumstances referred to in *CONRED* 6.4.41G apply.
- (5) If a lender is resending a communication and repeating steps pursuant to (3), each applicable deadline for those steps is extended according to the length of the delay incurred by the application of (2).
- 6.7.14 R (1) This *rule* applies where, under this chapter, a lender contacts a consumer who has not previously complained to the lender about a motor finance agreement.
- (2) Where a lender contacts a consumer a second time because that consumer did not respond to the lender's first communication, the lender must attempt to do so using an alternative communication channel.
- (3) Where the lender does not have the contact details for a consumer using an alternative communication channel under (2), it must take all reasonable steps to obtain such contact details, including by contacting an appropriate third party such as a *credit reference agency*.

- (4) Where a lender is not able to obtain alternative contact details after taking all reasonable steps as referred to in (3), it may send the communication by the same communication channel as before.

Taking reasonable steps to ascertain missing information

- 6.7.15 R The reasonable steps referred to in *CONRED* 6.7.13R(1)(a) or *CONRED* 6.7.14R(3) must include, where applicable:
- (1) checking public sources of information (for example, electoral rolls) but without incurring disproportionate cost;
 - (2) attempting to contact the consumer by telephone (at a reasonable hour when the consumer is likely to be available to receive the call) and by email; and
 - (3) attempting to contact any other party by telephone (during business hours) and by email.
- 6.7.16 R When taking reasonable steps to ascertain missing information and when contacting a consumer, a lender must:
- (1) not request more information than is sufficient for it to determine all of the outstanding matters;
 - (2) exercise sensitivity when requesting information about a consumer's personal circumstances;
 - (3) ensure the consumer understands what information they have been asked to provide and in what format;
 - (4) only ask for information that is likely to be readily accessible to the consumer (and obtain the consumer's authority to approach third parties for information on their behalf);
 - (5) allow the consumer at least 1 *month* to respond; and
 - (6) make clear why the lender is asking for the information and the consequence if the information is not provided.

Prohibition against influencing consumers against their interests

- 6.7.17 R A lender must not make any communication to a consumer which has the object or effect of influencing, for the benefit of the lender, the outcome of the processes undertaken pursuant to this chapter, either by influencing the content of information provided by the consumer in response to the lender's requests made under this chapter or otherwise.

Deceased customers

- 6.7.18 R Where a lender is required to contact a consumer under a provision of these rules and where the lender knows that consumer to be deceased or becomes

aware that they are deceased, it must take all reasonable steps to instead communicate with:

- (1) a personal representative of the consumer's estate; or
- (2) the beneficiaries of the consumer's estate.

- 6.7.19 R The provisions of *CONRED* 6.7.13R and *CONRED* 6.7.14R also apply in respect of a lender's communications with *persons* referred to in *CONRED* 6.7.18R.

6.8 Impact of complaints to the Financial Ombudsman Service on scheme deadlines

- 6.8.1 R Where a consumer makes a *complaint* to the *Financial Ombudsman Service* following a *redress determination* by a lender under this chapter, the remaining time period for completing any subsequent scheme steps is suspended between:
- (1) the date the *redress determination* is sent by the lender to the consumer; and
 - (2) the date:
 - (a) the *complaint* is resolved by agreement between the lender and the consumer pursuant to *DISP* 3.5.1R; or
 - (b) the lender receives notification from the *Financial Ombudsman Service* of the outcome of the *complaint* in accordance with *DISP* 3.6.6R(5).

6.9 Consumer redress scheme: information requirements

Requests for information by the FCA

- 6.9.1 R In relation to any matter concerning or relating to the scheme, section 165 (Regulator's power to require information: authorised persons etc.) of the *Act*, and any provision of Part XI (Information Gathering and Investigations) of the *Act* which relates to that section, apply to any *firm* and any successor which is an *unauthorised person* as if it were an *authorised person*.

Early start reporting requirements

- 6.9.2 G A lender must notify the *FCA* of its intention to implement any of the scheme steps during the implementation period, see *CONRED* 6.2.1R. The content of that notification is set out in the following *rules*.
- 6.9.3 R A lender must, within 15 *working days* of the scheme effective date, notify the *FCA*:
- (1) if it intends to implement any of the scheme steps during the implementation period; and

- (2) of the name of the *senior manager* (or equivalent where there is no *senior manager*) responsible for oversight and overall delivery of the scheme and contact details ('senior manager responsible').
- 6.9.4 R (1) A lender must provide the information in (2) if, under *CONRED* 6.2.1R, the lender intends to implement any of the scheme steps before the end of the implementation period.
- (2) The information is:
- (a) the date the lender intends to begin processing scheme cases under *CONRED* 6.2.1R;
 - (b) the one-off information set out in *CONRED* 6.9.6R;
 - (c) a scheme implementation plan that contains the information set out in *CONRED* 6.9.7R; and
 - (d) a forecast report that contains the information set out in *CONRED* 6.9.9R.
- (3) The information must be provided no later than 15 *working days* before the lender begins identifying scheme cases in accordance with the first and second scheme steps (as set out in *CONRED* 6.2.9R to *CONRED* 6.2.17R).
- 6.9.5 R (1) If a lender begins identifying scheme cases in accordance with the first and second steps (as set out in *CONRED* 6.2.9R to *CONRED* 6.2.17R) before the end of the implementation period, *CONRED* 6.9.11R to *CONRED* 6.9.23R apply with the modification in (2).
- (2) In *CONRED* 6.9.11R and *CONRED* 6.9.13R, the reference to 'the end of the implementation period' must be substituted with 'the date on which the lender began processing scheme cases under *CONRED* 6.2'.

One-off information requirement

- 6.9.6 R A lender must, within 6 weeks of the scheme effective date, provide the *FCA* with the following one-off information:
- (1) the number of motor finance agreements in the lender's starting population, identified in accordance with *CONRED* 6.1.6R;
 - (2) the number of *complaints* relating to motor finance agreements received by the lender prior to the scheme effective date;
 - (3) the number of *complaints* in (2) where complainants are represented by a professional representative, such as a claims management company or a solicitor;

- (4) the number of *complaints* in (2) where complainants are represented by multiple professional representatives, such as a claims management company or a solicitor; and
- (5) attestations from the senior manager responsible, confirming that the lender has the systems and controls to:
 - (a) successfully identify the starting population of potentially impacted customers in accordance with the first and second steps set out in *CONRED* 6.2.9R to *CONRED* 6.2.17R;
 - (b) identify which of its own records and information are relevant assessing motor finance agreements, as required by this chapter; and
 - (c) take the steps under the scheme to obtain relevant records and information required to assess motor finance agreements from third parties where these are not held by the lender.

Scheme implementation plan

- 6.9.7 R (1) A lender must provide a scheme implementation plan to the *FCA* at the same time as it provides the *FCA* with the one-off information set out in *CONRED* 6.9.6R.
- (2) A scheme implementation plan must include:
- (a) a lender's plan for complying with its obligations under the scheme; and
 - (b) a lender's policies and procedures addressing the lender's approach to the matters in (3).
- (3) The matters referred to in (2)(b) are:
- (a) data collection, including:
 - (i) the circumstances in which the lender will contact brokers; and
 - (ii) the name and firm reference number of each broker the lender will contact;
 - (b) the grouping of cases and approach to making cohort or group-based decisions about:
 - (i) cases which fall outside the subject matter of the scheme;

- (ii) identifying cases the lender considers to be time-barred and excluded from the definition of scheme case under *CONRED* 6.1.17R(1)(g);
 - (iii) identifying relevant arrangements at the first and second scheme steps;
 - (iv) identifying cases at the first and second scheme steps that are exceptions pursuant to *CONRED* 6.2.20R for captive and white label relationships;
 - (v) using rebuttals at stage 1 of the third scheme step, under *CONRED* 6.3.14R and at stage 2 of the third scheme step under *CONRED* 6.3.22R; and
 - (vi) issuing full and final early settlement offers at any stage of the scheme under *CONRED* 6.2.7R(1) if a lender is likely to make such offers;
 - (c) the build and use of automated processes, including for:
 - (i) decision-making tools;
 - (ii) redress calculators; and
 - (iii) making payments to consumers;
 - (d) the use of outsourcing arrangements, including the name of the outsourcer, if applicable;
 - (e) the quality assurance of cases being processed under the scheme and their outcomes;
 - (f) preventing and detecting scams, including the approach to identifying and verifying a consumer's identity; and
 - (g) consumers with multiple professional representatives, such as a claims management company or a solicitor.
- (4) The scheme implementation plan must set out whether the lender intends to apply for a *waiver*, including an intention to request for an extension of time to complete any steps under the scheme.
- (5) If, following the submission of the scheme implementation plan to the *FCA*, the lender materially changes or updates its approach to any of the areas in (3) or (4) so that the scheme implementation plan is no longer accurate, the lender must promptly notify the *FCA* and provide details of its updated approach.

Forecast report

- 6.9.8 G (1) The *FCA* requires lenders to provide a report which forecasts how they expect to assess motor finance agreements and process scheme cases under the scheme, including a breakdown of the number of cases a lender expects to process each *month*, until the lender reaches the end of the scheme.
- (2) The forecast report is to be provided to the *FCA* at the 6-week point, alongside the one-off information and scheme implementation plan, and then an updated forecast report should be provided every 3 *months* from then.
- (3) The forecast report data should be reported separately for consumers who have complained, and consumers who have not complained, where this is applicable to the reported metric. The forecast report data should also be broken down by type and combination of relevant arrangement, where this is indicated in the provision.
- 6.9.9 R (1) A lender must report a delivery forecast to the *FCA* (a ‘forecast report’) in accordance with this *rule*.
- (2) The forecast report must contain the following information:
- (a) a *monthly* forecast of the number of motor finance agreements (by type of relevant arrangement, see *CONRED* 6.9.23R) to be processed each *month*, until all motor finance agreements that the lender must process have reached the end of the scheme;
- (b) the number of motor finance agreements in the lender’s starting population, identified in accordance with *CONRED* 6.1.6R;
- (c) of the number reported in (b), the number of full and final early settlement offers in accordance with *CONRED* 6.2.7R(1) that the lender forecasts issuing;
- (d) of the number reported in (b), the number of motor finance agreements that the lender forecasts will be excluded from being a scheme case under *CONRED* 6.1.17R(1)(d), for exceeding the total amount of credit set out in *CONRED* 6.1.18R;
- (e) of the number reported in (b), the number of motor finance agreements that the lender forecasts will be time-barred pursuant to *CONRED* 6.1.17R(1)(g);
- (f) of the number reported in (b), the number of agreements that the lender forecasts will satisfy the conditions of a scheme case set out in *CONRED* 6.1.17R;

- (g) of the number reported in (f), the number of scheme cases that the lender forecasts have one or more relevant arrangements (by type of relevant arrangement, see *CONRED* 6.9.23R);
 - (h) of the number reported in (g), the number of cases (by type of relevant arrangement, see *CONRED* 6.9.23R) where the lender intends to rely on:
 - (i) the exception for captive and white label relationships at the first and second scheme steps, set out in *CONRED* 6.2.20R;
 - (ii) *CONRED* 6.3.14R to rebut the presumption of unfairness at stage 1 of the third scheme step; or
 - (iii) *CONRED* 6.3.22R to rebut the presumption of loss or damage at stage 2 of the third scheme step;
 - (i) of the number reported in (g), the number of cases (by type of relevant arrangement, see *CONRED* 6.9.23R) that the lender forecasts will proceed to a redress calculation in accordance with the fourth scheme step;
 - (j) of the number reported in (i), the number of cases (by type of relevant arrangement, see *CONRED* 6.9.23R):
 - (i) where the lender forecasts that the consumer will be sent a *redress determination* of £0 in accordance with *CONRED* 6.4.6R (where the consumer paid a minimal cost of credit, offered to 5% of the market at the time); and
 - (ii) where the lender forecasts that the consumer will be sent a *redress determination* greater than £0 in accordance with scheme *rules*.
 - (k) the lender's cash flow forecast for:
 - (i) redress payments under (2)(j); and
 - (ii) early settlement payments under (2)(c).
- (3) The information in (2)(a) to (k) should, as applicable, be separately reported for the number of cases involving a *complaint*, regardless of whether the *complaint* was received before or after the scheme effective date.
- (4) A forecast report must be sent to the *FCA*:
- (a) within 6 weeks of the scheme effective date; and

- (b) every 3 *months* thereafter until all motor finance agreements that the lender must process have reached the end of the scheme.

Baseline monthly report

- 6.9.10 G (1) The *FCA* requires lenders to provide a *monthly* report which sets out the actual number of motor finance agreements assessed, and scheme cases processed, at each scheme step, for every relevant *month*, under the same headings as the forecast report. The report must be provided on a *monthly* basis until the lender has processed all cases under the scheme.
- (2) The purpose of this *monthly* report is for the *FCA* to compare actual processing of agreements under the scheme to the lenders' forecasts. This *monthly* report must mirror the forecast report in order for this comparison to be made.
- 6.9.11 R (1) A lender must provide a baseline *monthly* report that comprises the information required in *CONRED* 6.9.9R(2) within one *month* of the end of the implementation period.
- (2) The information reported in the baseline *monthly* report pursuant to *CONRED* 6.9.9R(2) should be the actual number of motor finance agreements assessed, and scheme cases processed under the scheme, not forecasts or estimates.
- (3) The information in the baseline *monthly* report must be for the *month* prior to the *month* in which it is being submitted.
- (4) The information in the baseline *monthly* report should, as applicable, be separately reported for the number of cases involving a *complaint*, regardless of whether the *complaint* was received before or after the scheme effective date.
- (5) The baseline *monthly* report must be submitted to the *FCA*:
- (a) each *month* no later than one *month* after the previous baseline *monthly* report was submitted to the *FCA*; and
 - (b) until such time as the lender has completed the scheme steps as set out in this chapter in respect of its entire population of scheme cases.

Detailed monthly report

- 6.9.12 G (1) The *FCA* requires lenders to provide a detailed *monthly* report alongside the baseline *monthly* report. The detailed report provides additional information that the lender is not required to forecast, and so not already included in the baseline *monthly* report.

- (2) The *monthly* data should be reported separately for consumers who have complained, and consumers who have not complained, where this is applicable to the reported metric. The *monthly* data should also be broken down by type and combination of relevant arrangement, where this is indicated in the provision.
 - (3) The lender needs to provide all the information described in *CONRED* 6.9.14R to *CONRED* 6.9.20R where this information becomes available to the lender as cases are processed through the scheme.
- 6.9.13 R (1) A lender must provide a detailed *monthly* report that comprises the information required in *CONRED* 6.9.14R to *CONRED* 6.9.20R, within one *month* of the end of the implementation period.
- (2) The information in the detailed *monthly* report must be for the *month* prior to the *month* in which it is being submitted.
 - (3) The information in the detailed monthly report should, as applicable, be separately reported for the number of cases involving a *complaint*, regardless of whether the *complaint* was received before or after the scheme effective date.
 - (4) The detailed *monthly* report must be submitted to the *FCA*:
 - (a) each *month* no later than one *month* after the previous detailed *monthly* report was submitted to the *FCA*; and
 - (b) until such time as the lender has completed the scheme steps as set out in this chapter in respect of its entire population of scheme cases.
- 6.9.14 R The detailed *monthly* report must include the following information in relation to consumer decision-making:
- (1) the number of cases where:
 - (a) a consumer was invited to opt in to the scheme at the second scheme step (in accordance with *CONRED* 6.2.11R);
 - (b) of the number in (a), the number of scheme cases where a consumer did not opt in within the 6-month deadline set out in *CONRED* 6.2.11R(2)(c)(ii); and
 - (c) of the number in (a), the number of scheme cases where a consumer did opt in to the scheme (within the 6-month deadline);
 - (2) in relation to all motor finance agreements that must be assessed by the lender:

- (a) the number of agreements in respect of which the lender sent a provisional redress decision at any step of the scheme;
 - (b) of the number in (a), the number accepted by a consumer, including:
 - (i) the number of decisions that were accepted by a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of decisions that were accepted by a consumer not represented by a professional representative, such as a claims management company or a solicitor;
 - (c) of the number in (a), the number objected to by a consumer, including:
 - (i) the number of decisions that were objected to by a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of decisions that were objected to by a consumer not represented by a professional representative, such as a claims management company or a solicitor
 - (d) of the number in (a), the number of which that were responded to by a consumer, confirming they wished to opt-out of the scheme, including:
 - (i) the number of consumers represented by at least one professional representative, such as a claims management company or a solicitor, who wished to opt-out; and
 - (ii) the number of consumers not represented by a professional representative, such as a claims management company or a solicitor, who wished to opt-out;
- (3) in relation to the number of full and final early settlement offers issued by the lender at any stage of the scheme (as reported in the baseline *monthly* report), the number of offers which were:
- (a) accepted by a consumer, including:

- (i) the number of acceptances by a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of acceptances by a consumer not represented by a professional representative, such as a claims management company or a solicitor;
- (b) rejected by a consumer, including:
 - (i) the number of rejections by a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of rejections by a consumer not represented by a professional representative, such as a claims management company or a solicitor;
- (4) in relation to the number of *redress determinations* sent by the lender at any step of the scheme, the number which were:
 - (a) accepted by a consumer, including:
 - (i) the number of acceptances by a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of acceptances by a consumer not represented by a professional representative, such as a claims management company or a solicitor;
 - (b) rejected by a consumer, including:
 - (i) the number of rejections by a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of rejections by a consumer not represented by a professional representative, such as a claims management company or a solicitor.

- 6.9.15 R The detailed *monthly* report must include, in relation to credit brokers and in relation to all motor finance agreements that the lender must assess, the number of agreements in respect of which:
- (1) the lender requested relevant records and information from a credit broker (in accordance with *CONRED* 6.2.25R and *CONRED* 6.3.4R);
 - (2) the credit broker did not respond before the deadline of 1 *month* (in accordance with *CONRED* 6.2.28R and *CONRED* 6.3.6R);

- (3) the lender sent a further request for relevant records and information from a credit broker (in accordance with *CONRED* 6.2.27R and *CONRED* 6.3.5R);
- (4) the credit broker did not respond before the 14-day deadline (in accordance with *CONRED* 6.2.27R and *CONRED* 6.3.5R);
- (5) the lender relied on the insufficient information provisions in *CONRED* 6.2.13R before sending a provisional redress decision stating that no redress was due.

6.9.16 R The detailed *monthly* report must include the following information in relation to *complaints* and professional representatives, such as a claims management company or a solicitor:

- (1) As of the date on which the lender starts to assess motor finance agreements in accordance with the first scheme step set out in *CONRED* 6.2.9R, the number of *complaints*:
 - (a) in relation to which the consumer is represented by either:
 - (i) a claims management company or a solicitor; or
 - (ii) multiple professional representatives (including a claims management company and a solicitor);
 - (b) where a *final response* has not been issued by the lender; and
 - (c) that have been referred to the *Financial Ombudsman Service* and which the *Financial Ombudsman Service* has:
 - (i) upheld; and
 - (ii) rejected.
- (2) After the lender has completed the first and second scheme steps pursuant to *CONRED* 6.2.9R and *CONRED* 6.2.11R, the number of scheme cases (as reported in the baseline *monthly* report) where the consumer is represented by either:
 - (a) a claims management company or a solicitor; or
 - (b) multiple professional representatives (including a claims management company and a solicitor).

6.9.17 R The detailed *monthly* report must include the following information in relation to redress:

- (1) in relation to all motor finance agreements which are determined to be scheme cases at the first and second scheme steps pursuant to *CONRED* 6.2.9R and *CONRED* 6.2.11R:

- (a) the number of provisional redress decisions issued (in accordance with *CONRED* 6.2.9R(2)(e)(i) where the consumer obtained no redress because the lender did not identify a relevant arrangement;
- (b) the number of scheme cases where one of the following relevant arrangement exceptions applied:
 - (i) the total amount of commission was £120 or less, as set out in *CONRED* 6.2.19R(2)(a);
 - (ii) the annual percentage rate for the motor finance agreement was 0%, as set out in *CONRED* 6.2.19R(2)(b);
 - (iii) in relation to a discretionary commission arrangement, the interest rate that applied under the motor finance agreement was the lowest rate of interest in the range of interest rates that could have been selected by the credit broker, as set out in *CONRED* 6.2.19R(3); and
 - (iv) in relation to a tied arrangement, the exception for captive and white label relationships described in *CONRED* 6.2.20R applied;
- (2) in relation to all scheme cases which proceed to the third scheme step in *CONRED* 6.3.1R:
 - (a) the number of provisional redress decisions issued under *CONRED* 6.3.20R(2)(a) where the lender determined there was not an unfair relationship in accordance with *CONRED* 6.3.1R(1) because:
 - (i) there was adequate disclosure as described in *CONRED* 6.3.10R (by type of relevant arrangement, see *CONRED* 6.9.23R);
 - (ii) the lender applied the consumer knowledge rebuttal set out in *CONRED* 6.3.14R(1); or
 - (iii) the lender applied the unused tie rebuttal set out in *CONRED* 6.3.14R(2);
 - (b) in relation to (2)(a), the number of provisional redress decisions where the consumer has objected to the decision within 1 *month*;
 - (c) in relation to (2)(b), the number of cases where the lender accepted the consumer's objection and proceeded to the next stage or step in the scheme pursuant to *CONRED* 6.3.27R(6);

- (d) the number of provisional redress decisions issued under *CONRED* 6.3.26R(2)(a) where the lender determined that the unfair relationship did not cause loss or damage to the consumer because the presumption was rebutted in accordance with *CONRED* 6.3.22R(1);
 - (e) in relation to (2)(d), the number of provisional redress decisions where the consumer has objected to the decision within 1 *month*;
 - (f) in relation to (2)(e), the number of cases where the lender accepted the consumer's objection and proceeded to the next stage or step in the scheme pursuant to *CONRED* 6.3.27R(6);
- (3) in relation to all scheme cases which proceed to the fourth and fifth scheme steps in *CONRED* 6.4:
 - (a) the number of provisional redress decisions issued under *CONRED* 6.4.36R(2) where the lender calculated the redress payable to the consumer:
 - (i) using the commission repayment remedy methodology set out in *CONRED* 6.4.4R; or
 - (ii) using the hybrid remedy methodology set out in *CONRED* 6.4.22R;
 - (b) of the number reported for (3)(a)(ii), the number of decisions where redress has been capped under:
 - (i) the adjusted commission plus interest cap, as set out in *CONRED* 6.4.19R;
 - (ii) the adjusted realised cost of credit cap, as set out in *CONRED* 6.4.20R; or
 - (iii) the total cost of credit cap, as set out in *CONRED* 6.4.21R;
- (4) the total number of *redress determinations* issued by the lender at any step of the scheme;
- (5) of the number reported for (4), the number of *redress determinations* (by type of relevant arrangement, see *CONRED* 6.9.23R) issued where the lender made no offer of redress;
- (6) of the number reported for (4), the number of *redress determinations* which were referred to the *Financial Ombudsman Service* and which the *Financial Ombudsman Service*:
 - (a) rejected; or

- (b) upheld;
 - (7) the total value of redress paid:
 - (a) under this chapter, within 1 *month* of the acceptance of the *redress determination*, in accordance with deadline for payment in *CONRED* 6.4.38R(3);
 - (b) under this chapter, outside of the 1-*month* deadline referred to in (7)(a); or
 - (c) following an award by the *Financial Ombudsman Service*
 - (8) the total value of redress offered by the lender but not accepted by the consumer.
- 6.9.18 R The detailed *monthly* report must also include the following information in relation to financial resources:
- (1) the value of redress not paid yet;
 - (2) the total liquid assets held (cash and cash equivalent);
 - (3) the net assets (or liability) position;
 - (4) a 3-*month* forecast of the total liquid assets held (cash and cash equivalent); and
 - (5) the amount of redress due that has neither been paid out nor provisioned for.
- 6.9.19 R The *rule* in *CONRED* 6.9.18R does not apply to a *dual-regulated firm*.
- 6.9.20 R The detailed *monthly* report must also include the following information in relation to timeliness:
- (1) the number of provisional redress decisions (sent in accordance with *CONRED* 6.3.20R(2)(a) and *CONRED* 6.3.26R(2)(a)) that were issued:
 - (a) within 4 weeks of starting the third scheme step; and
 - (b) within 6 weeks of starting the third scheme step;
 - (2) the number of provisional redress decisions (sent in accordance with *CONRED* 6.4.6R(2)(a) and *CONRED* 6.4.36R) that were issued:
 - (a) within 4 weeks of starting the fourth scheme step; and
 - (b) within 6 weeks of starting the fourth scheme step;

- (3) the number of consumer responses to provisional redress decisions that (in accordance with *CONRED* 6.3.27R(2), *CONRED* 6.3.27R(3) and *CONRED* 6.3.27R(4)(a)) were responded to in the third scheme step by the lender:
 - (a) within a 7-day period beginning on the day the response was received; and
 - (b) outside of the 7-day period in (3)(a), including:
 - (i) the number of responses that were sent to a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of responses that were sent to a consumer not represented by a professional representative, such as a claims management company or a solicitor;
- (4) the number of consumer responses to provisional redress decisions that (in accordance with *CONRED* 6.4.37R(2), *CONRED* 6.4.37R(3) and *CONRED* 6.4.37R(4)(a)) were responded to in the (fourth and fifth scheme steps in *CONRED* 6.4) by the lender:
 - (a) within a 7-day period beginning on the day the response was received; and
 - (b) outside of the 7-day period in (4)(a), including:
 - (i) the number of responses that were sent to a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (ii) the number of responses that were sent to a consumer not represented by a professional representative, such as a claims management company or a solicitor;
- (5) the number of *redress determinations* that (in accordance with *CONRED* 6.3.27R(5)(a) and *CONRED* 6.4.37R(5)) were:
 - (a) where the lender received further details of the consumer's objection to the provisional redress decision:
 - (i) issued by the lender within 2 months of the day the lender received the further details from the consumer; and
 - (ii) issued by the lender outside of the 2-month period in (5)(a)(i), including:

- (A) the number of *redress determinations* that were issued to a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (B) the number of *redress determinations* that were issued to a consumer not represented by a professional representative, such as a claims management company or a solicitor.
- (b) where the lender received no further details of the consumer's objection within 1 *month* of the lender's acknowledgement requesting further details from the consumer:
 - (i) issued by the lender within 2 *months* of the date of expiry of that 1-*month* period; and
 - (ii) issued by the lender outside of the 2-*month* period in (5)(b)(i), including:
 - (A) the number of *redress determinations* that were issued to a consumer represented by at least one professional representative, such as a claims management company or a solicitor; and
 - (B) the number of *redress determinations* that were issued to a consumer not represented by a professional representative, such as a claims management company or a solicitor;
- (6) the number of *redress determinations* that (in accordance with *CONRED* 6.3.27R(7) and *CONRED* 6.4.37R(6)) were sent by the lender when the consumer did not respond to the provisional redress decision within 1 *month*:
 - (a) within 1 *month* of the expiry of that period; and
 - (b) outside of the 1-*month* period in (6)(a);
- (7) the number of redress payments made under the scheme:
 - (a) within 1 *month* of the consumer's acceptance of a *redress determination* (or provisional redress decision in *CONRED* 6.4.37R(3)); and
 - (b) outside of the 1-*month* period in (7)(a).

Notifications and reports to the FCA

- 6.9.21 G (1) *CONRED* 6.9.22R sets out the way in which lenders must report the information required by the *rules* in this section to the *FCA*. In most cases, all reporting must be done using the *FCA*'s RegData platform in response to RegData Information Requests that a lender will receive through the platform.
- (2) In some limited circumstances, the *FCA* may request that the information required by the *rules* in this section be sent to the *FCA* by email, rather than using the method set out in *CONRED* 6.9.22R(2). Where this is required, the *FCA* will give the lender 7 *days* written notice.
- 6.9.22 R (1) Notifications and other reports required by the *rules* in this section must be sent to the *FCA* using the method set out in (2) within the deadlines specified by the rules in this section.
- (2) Subject to the exception in (3), lenders must report all information and data required by the *rules* in this section through the *FCA*'s data collection platform 'RegData'.
- (3) The *FCA* may require a lender to report the information and data required by the *rules* in this section by email, in which event the *FCA* would give 7 *days* written notice of this requirement.
- (4) Lenders must ensure that the individual acting as their 'RegData Principal User' is:
- (a) familiar with the reporting requirements in this section;
 - (b) monitoring incoming data reporting requests from the *FCA*; and
 - (c) allocating data reporting requests to the relevant individual.
- 6.9.23 R Where a reporting requirement in this section requires a lender to report the number of agreements 'by type of relevant arrangement', the lender should split the number of agreements reported into the following categories:
- (1) agreements in relation to which there was a discretionary commission arrangement;
 - (2) agreements in relation to which there was a very high commission arrangement;
 - (3) agreements in relation to which there was a tied arrangement;
 - (4) agreements in relation to which there was a discretionary commission arrangement and a very high commission arrangement;

- (5) agreements in relation to which there was a discretionary commission arrangement and a tied arrangement;
- (6) agreements in relation to which there was a very high commission arrangement and a tied arrangement; and
- (7) agreements in relation to which there was a discretionary commission arrangement, a very high commission arrangement and a tied arrangement.

6.10 Record-keeping requirements

- 6.10.1 R (1) A *firm* must keep the following records:
- (a) evidence of each communication sent in accordance with this chapter;
 - (b) a copy of each communication, *redress determination* and provisional redress decision sent in accordance with this chapter;
 - (c) a record of any attempts to contact the consumer or obtain further information in accordance with *CONRED* 6.7;
 - (d) a record of any full and final settlement offers made to the consumer under *CONRED* 6.2.7R(1);
 - (e) a record of any full and final settlement offers accepted by the consumer;
 - (f) the completed assessment for each scheme case assessed under the fourth scheme step; and
 - (g) all information on the consumer file and information received from the consumer.
- (2) Lenders and credit brokers must keep the records required by (1) for a minimum of 5 years from the date of their creation or (for the records in (1)(g)) the date when the information is located on the consumer file or obtained.

6.11 Publication of data

- 6.11.1 R The *FCA* may publish the data that was reported to the *FCA* in accordance with *CONRED* 6.9 for each lender every 6 *months* during the period of the *scheme*.

6 Annex Relevant records and information

1

6 Annex 1.1 G In gathering the information to determine whether a particular motor finance agreement is a scheme case, whether one or more relevant arrangements are present, whether there has been adequate disclosure of the relevant arrangements and whether redress is payable and the amount, the lender may consider the following sources of information:

- (1) records which detail the arrangements between the lender and the credit broker, such as (but not limited to) the rates and terms and terms of business, and which set out:
 - (a) the commission arrangements agreed between the parties and the minimum and maximum interest rates applicable;
 - (b) the terms of engagement or business between the lender and the credit broker, including (among other things) any ties or oversight arrangements by the lender with respect to the activities of the credit broker; or
 - (c) any financial records of the lender or the credit broker which show the amount of commission paid in respect of the motor finance agreement;
- (2) records which detail arrangements between:
 - (a) the lender and the manufacturer of the motor vehicle in the scheme case, such as (but not limited to) any terms of engagement or business between the lender and the manufacturer, and any oversight arrangements applying to the activities of the lender when using a trading name or branding commonly associated with motor vehicles manufactured by the manufacturer;
 - (b) the manufacturer of the motor vehicle and the credit broker in the scheme case, such as (but not limited to) any terms of engagement or business between the manufacturer and the credit broker, and any oversight arrangements applying to the activities of the credit broker when using a trading name or branding commonly associated with motor vehicles manufactured by the manufacturer;
- (3) personalised records with respect to the consumer, detailing the relationship between the consumer and either the lender or the credit broker, such as, but not limited to:
 - (a) an initial disclosure document;
 - (b) any motor finance agreement;
 - (c) any agreement detailing the credit arrangements between the consumer and the lender (if different from (b));

- (d) any pre-contractual documents or explanations provided to the consumer by either the lender or the credit broker, such as, but not limited to, any credit broking information notice provided in accordance with *CONC* 4.4.3R;
 - (e) any records or documents created by the lender or the credit broker contemporaneously with the provision of information to the consumer, confirming that such information was provided (for example, a digital record generated by a data management system);
 - (f) any contemporaneous screenshots of data, extracted directly from the lender's or the credit broker's data management system, recording information directly referable to a motor finance agreement with a consumer;
 - (g) any personalised correspondence, file notes or other records recording communications between a consumer and either a lender or the credit broker with respect to a motor finance agreement with that consumer; and
 - (h) any creditworthiness assessment undertaken by either the lender or the credit broker with respect to a consumer (such as, but not limited to, any assessment undertaken under *CONC* 5.2A); and
- (4) any other evidence which either supplements the evidence in (1) to (3) or, in the absence of that evidence, provides a basis upon which to make reasonable assumptions in accordance with these rules, such as (but not limited to):
- (a) transactional data which indicates at least some degree of detail about the relevant arrangements with respect to a consumer, including (but not limited to):
 - (i) the start date or execution date of a motor finance agreement;
 - (ii) the term of the loan or repayment;
 - (iii) the amount of credit provided;
 - (iv) the consumer's postcode (or portions of it);
 - (v) the total charge for credit;
 - (vi) the total realised cost of credit;
 - (vii) the annual percentage rate of charge;

- (viii) the date the first regular payment or charge was due or made under the agreement;
 - (ix) the date the last regular payment was due or made under the agreement;
 - (x) the date by which any fee associated with taking ownership of the vehicle was due or made under the agreement; and
 - (xi) the date of any early settlement payment under the motor finance agreement;
- (b) any structured data (for example, set out in spreadsheets) created by the lender or the credit broker from data held on its data management systems relating to its general approach with respect to motor finance agreements at a particular point in time;
 - (c) general corporate records setting out the lender's or the credit broker's approach with respect to motor finance agreements at a particular point in time, such as (but not limited to) board or committee papers or minutes and general policies and procedures;
 - (d) general corporate records setting out the nature of any arrangements the lender may have had with the motor vehicle manufacturer at a particular point in time;
 - (e) general corporate records setting out the nature of any arrangements the credit broker may have had with the motor vehicle manufacturer at a particular point in time;
 - (f) general corporate records setting out the lender's or the credit broker's approach with respect to due diligence, regulatory developments and regulatory compliance;
 - (g) records of 'welcome packs' (if any) provided by the lender or the credit broker to the consumer;
 - (h) standardised or template marketing, disclosure or communications materials;
 - (i) policies or other corporate records setting out standards or requirements relating to:
 - (i) the presentation of the credit broker's premises to consumers (such as site design and layout standards);
 - (ii) communication, disclosure or marketing materials (including the use of names or branding commonly

associated with motor vehicles commonly associated with a manufacturer);

- (j) records relating to the monitoring of, or compliance with, the standards or requirements mentioned in (i);
- (k) any other records not otherwise covered above which may be relevant to the lender's assessment of scheme cases in accordance with *CONRED* 6.3 and redress calculations in accordance with *CONRED* 6.4 such as, but not limited to, vehicle sales invoices, profit sheets, credit checks and part-exchange documentation.

6 Annex 2 Provisional redress decision for scheme cases

6 Annex 2.1 R This annex belongs to *CONRED* 6.2.7R(1), *CONRED* 6.2.14R(3)(a), *CONRED* 6.3.20R(2)(a), *CONRED* 6.3.26R(2)(a), *CONRED* 6.4.6R(2)(a), *CONRED* 6.4.25R, *CONRED* 6.4.36R(2).

The communication must include the following information, where relevant:

- (1) the lender's assessment of:
 - (a) whether the scheme case included any of the features giving rise to an unfair relationship under *CONRED* 6.2.19R; and
 - (b) whether there was an unfair relationship and the reasons for the lender's decision;
- (2) if there was an unfair relationship, a statement as to whether it caused loss or damage and the reasons for the lender's decision;
- (3) if there was no unfair relationship that caused loss or damage, a statement that no redress is due under the scheme;
- (4) if there was an unfair relationship that caused loss or damage:
 - (a) the total amount of redress payable to the consumer as an offer in full and final settlement of all claims against the lender within the subject matter of the scheme relating to the agreement, with the amount of compensatory interest as part of that redress clearly specified; and
 - (b) details of the calculations to determine the total amount of redress, clearly setting out the methodology used, any evidential assumptions and reconstructions relied on, the amount of compensatory interest included in these

calculations and any proposed set-off for undisputed arrears or default sums;

- (5) if the lender determines, in accordance with *CONRED* 6.2.14R(3)(a), not to proceed with the case because the consumer opted in more than 6 months after being sent the opt-in communication:
 - (a) a statement of the date on which the consumer was sent the opt-in communication, the date of any opt-in follow-up communication, and the date by which the consumer was required to opt in to the scheme;
 - (b) a statement that the consumer did not opt in within the period required by the scheme and that, on that basis, no redress is due under the scheme; and
 - (c) an explanation that the time for opting in may be extended in exceptional circumstances, but that the lender does not consider any such circumstances to apply here;
- (6) information about the evidence relied on by the lender in reaching its decision, sufficient to explain the basis of that decision and to enable the consumer to challenge it;
- (7) if *CONRED* 6.4.6R applies, an explanation of the assessment of redress for hybrid cases with minimal cost of credit and reasons for that assessment;
- (8) a statement that compensatory interest has been calculated to the date of the provisional redress decision and that the final amount payable will be updated to reflect the date of payment;
- (9) information about any tax deducted from the redress payment;
- (10) information about any intention by the lender to apply set-off, including an explanation that the consumer may make representations as to why set-off should not be applied;
- (11) a statement that, if the consumer has been bankrupt or is in an individual voluntary arrangement, they should inform the lender and their insolvency practitioner of this communication, as this may affect who any compensation is paid to;
- (12) if the lender is making an early settlement offer under *CONRED* 6.2.7R:

- (a) an explanation that the lender is making the offer without completing the remaining steps under the scheme; and
- (b) a statement that the lender has calculated that the offer is no less than the maximum redress that the consumer could receive under the scheme.

6 Annex 2.2 R The communication must include the following information:

- (1) a statement that the consumer can accept the redress outcome immediately in full and final settlement of all claims against the lender relating to the subject matter of the scheme in respect of the case, including legal claims;
- (2) an explanation of how the consumer can accept the outcome and, if relevant, provide bank details or alternative payment instructions;
- (3) an explanation that, if the consumer disagrees with any aspect of the provisional redress decision, they must notify the lender within 1 *month* of the date of this communication;
- (4) a statement that, if the consumer does not notify the lender within 1 *month* that they disagree with the provisional redress decision, the lender will send a *redress determination* confirming the provisional redress decision; and
- (5) an explanation that the consumer may notify the lender within 1 *month* if they do not wish to have their case considered under the scheme.

6 Annex 3 Redress determination: scheme cases

6 Annex 3.1 R This annex belongs to *CONRED* 6.2.16R(5)(a), *CONRED* 6.2.16R(7), *CONRED* 6.3.27R(5)(a), *CONRED* 6.3.27R(7), *CONRED* 6.4.25R, *CONRED* 6.4.37R(5)(a), *CONRED* 6.4.37R(5)(b), *CONRED* 6.4.37R(6).

The communication must include the following information, where relevant:

- (1) the lender's assessment of:
 - (a) whether the scheme case included any of the features giving rise to an unfair relationship under *CONRED* 6.2.19R; and

- (b) whether there was an unfair relationship and the reasons for the lender's decision;
- (2) if there was an unfair relationship, a statement as to whether it caused loss or damage and the reasons for the lender's decision;
- (3) if there was no unfair relationship that caused loss or damage, a statement that no redress is due under the scheme;
- (4) if there was an unfair relationship that caused loss or damage:
 - (a) the total amount of redress payable to the consumer as an offer in full and final settlement of all claims against the lender within the subject matter of the scheme relating to the agreement, with the amount of compensatory interest as part of that redress clearly specified; and
 - (b) details of the calculations to determine the total amount of redress, clearly setting out the methodology used, any evidential assumptions and reconstructions relied on, the amount of compensatory interest included in these calculations and any proposed set-off for undisputed arrears or default sums;
- (5) if the lender determines, in accordance with *CONRED* 6.2.14R(3), not to proceed with the case because the consumer opted in more than 6 *months* after being sent the opt-in communication:
 - (a) a statement of the date on which the consumer was sent the opt-in communication, the date of any opt-in follow-up communication, and the date by which the consumer was required to opt in to the scheme;
 - (b) a statement that the consumer did not opt in within the period required by the scheme and that, on that basis, no redress is due under the scheme; and
 - (c) an explanation that the time for opting in may be extended in exceptional circumstances, but that the lender does not consider any such circumstances to apply here;
- (6) if the consumer has formally objected to a provisional redress decision, an explanation of how the lender has considered the objection, including any evidence the consumer submitted and how any redress calculations have changed, where appropriate, from the provisional redress decision;

- (7) a statement that the lender will pay the amount of redress within 1 *month* of the date of the receipt of consumer's acceptance by bank transfer unless the consumer provides alternative payment instructions;
- (8) an explanation of how the consumer can accept the offer and provide bank details or alternative payment instructions;
- (9) information about the evidence relied on by the lender in reaching the *redress determination*, sufficient to explain the basis of that determination and to enable the consumer to challenge it;
- (10) a statement that compensatory interest has been calculated to the date of the *redress determination* and that the final amount payable will be updated to reflect the date of payment;
- (11) information about any tax deductions made from the redress payment;
- (12) information about any redress amount applied by way of set-off against outstanding principal and, where appropriate, signposting to a not-for-profit debt advice body, including how the consumer may access that support, so that the consumer can consider whether they may wish to object to set-off being applied where they have priority debts;
- (13) a statement that, if the consumer has been bankrupt or is in an individual voluntary arrangement, they should inform the lender and their insolvency practitioner about this communication, as this may affect who any compensation is paid to;
- (14) an explanation that the consumer may notify the lender if they do not wish their case to be considered further under the scheme, and of the mechanism for doing so; and
- (15) one of the following communication codes:
 - (a) RD03 – no unfair relationship and no redress (no relevant arrangement, including excepted relevant arrangements);
 - (b) RD04 – no unfair relationship and no redress (rebuttal); or
 - (c) RD05 – redress due, calculation provided.

This must be included clearly for the purposes of *Financial Ombudsman Service* identification.

6 Annex 3.2 R The communication must include the following information:

- (1) a statement that the consumer may accept the redress outcome immediately in full and final settlement of all claims relating to the subject matter of the scheme in relation to the case, including any legal claims;
- (2) a reminder that the consumer has the right to complain to the *Financial Ombudsman Service*, even if redress is paid under the scheme. The reminder should also explain the time limits for referring the complaint to the *Financial Ombudsman Service*;
- (3) a statement that if the consumer refers the *complaint* to the *Financial Ombudsman Service*, the *Financial Ombudsman Service* will consider the *complaint* against what, in its opinion, the outcome should have been under the scheme rather than by reference to what is, in the *Financial Ombudsman Service*'s opinion, fair and reasonable in all the circumstances of the case; and
- (4) details on how to contact the *Financial Ombudsman Service*.

6 Annex 4 Provisional redress decision to customers who have previously complained where the scheme case does not include a relevant arrangement

6 Annex 4.1 R This annex belongs to *CONRED* 6.2.9R(2)(e)(i). The communication must include the following information:

- (1) a statement to the consumer of the existence of the scheme and its subject matter;
- (2) an explanation of the relevant arrangements for identifying an unfair relationship;
- (3) a statement that no relevant arrangement was identified in relation to the consumer's agreement, or that, although an arrangement was present, it was not a relevant arrangement because an exception applies, and setting out the amount of commission that was paid in relation to the agreement;
- (4) a statement that, as a result, no redress is due;
- (5) information about the evidence the lender has relied on to reach its decision, sufficient to explain why the lender has determined that the case does not include a relevant arrangement;
- (6) if there are other parts of the consumer's *complaint* that are not dealt with under the scheme, an explanation of how the lender is dealing with these parts;

- (7) a statement that the consumer can accept the redress outcome immediately in full and final settlement of all claims against the lender relating to the subject matter of the scheme in respect of the case, including legal claims;
- (8) an explanation of how the consumer can accept the outcome;
- (9) an explanation that, if the consumer disagrees with any aspect of the provisional redress decision, they must notify the lender within 1 *month* of the date of this communication;
- (10) a statement that, if the consumer does not notify the lender within 1 *month* that they disagree with the provisional redress decision, the lender will send a *redress determination* confirming the provisional redress decision; and
- (11) an explanation that the consumer may notify the lender within 1 *month* if they do not wish to have their case considered under the scheme.

6 Annex 5 Redress determination to customers who have previously complained confirming they are not a scheme case

6 Annex 5.1 R This annex belongs to *CONRED* 6.2.9R(2)(b)(i). The communication must include the following information:

- (1) a statement informing the consumer of the existence of the scheme and its subject matter;
- (2) a statement informing the consumer that the lender has assessed their *complaint* and that it does not meet the conditions of a scheme case;
- (3) an explanation of the reason why the case is not a scheme case;
- (4) a statement that the consumer may accept the redress outcome immediately in full and final settlement of all claims relating to the subject matter of the scheme in relation to the case, including any legal claims;
- (5) a reminder that the consumer has the right to complain to the *Financial Ombudsman Service*. The reminder should also explain the time limits for referring the *complaint* to the *Financial Ombudsman Service*;
- (6) the *final response* to the consumer's *complaint*, as required by *DISP* 1.6.2R(1), explaining that this could be referred to the *Financial Ombudsman Service* to determine by reference to what is, in the

Financial Ombudsman Service's opinion, fair and reasonable in all the circumstances of the case;

- (7) details on how to contact the *Financial Ombudsman Service*;
- (8) one of the following communication codes, as relevant:
 - (a) 'RD01 – not a scheme case (time-barred)'; or
 - (b) 'RD02 – not a scheme case (other reason)'.

This must be included clearly for the purposes of *Financial Ombudsman Service* identification.

6 Annex 6 Opt-in invitations to customers who have not already complained confirming they are a scheme case and asking if they want to opt-in

- 6 Annex 6.1 R This annex belongs to *CONRED* 6.2.11R(2)(c). The communication must include the following information:
- (1) a statement informing the consumer of the existence of the scheme and its subject matter;
 - (2) a statement that the consumer's motor finance agreement is within the subject matter of the scheme;
 - (3) an explanation that the lender has identified at least 1 relevant arrangement that may give rise to an unfair relationship and that, as a result, the consumer may be owed redress under the scheme;
 - (4) an explanation that the consumer must opt in to the scheme for the lender to proceed with the next steps under the scheme;
 - (5) an explanation of how the consumer can notify the lender if they want to opt in; and
 - (6) a statement that the consumer must opt in within 6 *months* starting with the day the communication is sent by the lender.

6 Annex 7 Redress determination to customers who have not previously complained confirming they are not a scheme case

- 6 Annex 7.1 R This annex belongs to *CONRED* 6.2.11R(2)(d). The communication must include the following information:
- (1) a statement informing the consumer of the existence of the scheme and its subject matter;

- (2) an explanation of:
 - (a) the details of the relevant arrangements identified in their case; and
 - (b) that their agreement is not a scheme case because the condition in *CONRED* 6.1.17R(1)(g) is not met, and the reasons for that assessment;
- (3) a statement that the consumer may accept the redress outcome immediately in full and final settlement of all claims relating to the subject matter of the scheme in relation to the case, including any legal claims;
- (4) a reminder that the consumer has the right to complain to the *Financial Ombudsman Service*. The reminder should also explain the time limits for referring the complaint to the *Financial Ombudsman Service*;
- (5) a statement that if the consumer refers the *complaint* to the *Financial Ombudsman Service*, the *Financial Ombudsman Service* will consider the *complaint* against what, in its opinion, the outcome should have been under the scheme rather than by reference to what is, in the *Financial Ombudsman Service*'s opinion, fair and reasonable in all the circumstances of the case;
- (6) details on how to contact the *Financial Ombudsman Service*; and
- (7) the following communication code: RD01 – not a scheme case (time-barred). This must be included clearly for the purposes of *Financial Ombudsman Service* identification.

6 Annex 8 Opt-in follow-up communications to consumers who have not responded

- 6 Annex 8.1 R This annex belongs to *CONRED* 6.2.14R(1). The communication must include the following information:
- (1) a statement informing the consumer of the existence of the scheme and its subject matter;
 - (2) a statement about the lender's previous attempts to contact the consumer;
 - (3) a statement that the consumer's agreement is a scheme case and includes at least 1 relevant arrangement;
 - (4) an explanation that the lender has identified at least 1 arrangement which may give rise to an unfair relationship and that, as a result, the consumer may be owed redress under the scheme;

- (5) an explanation that the consumer must opt in if the lender is to proceed with considering the case under the scheme;
- (6) an explanation of how the consumer can notify the lender if they want to opt in; and
- (7) a statement that the consumer must opt in within 6 *months* starting with the day the original opt-in communication was sent.

6 Annex 9 Provisional redress decision to customers who have previously complained where the lender cannot determine, because records or information are missing or insufficient, whether the case is a scheme case and requires further information

6 Annex 9.1 R This annex belongs to *CONRED* 6.2.30R. The communication must include the following information:

- (1) a statement informing the consumer of the existence of the scheme and its subject matter;
- (2) an explanation of why the lender has not been able to determine, on the basis of the records and information currently available, whether the case is a scheme case and includes one or more relevant arrangements and, therefore, no redress is likely to be due to the consumer under the scheme;
- (3) a summary of the steps that the lender has taken to obtain relevant records and information;
- (4) a statement that the consumer can accept the redress outcome immediately in full and final settlement of all claims against the lender relating to the subject matter of the scheme in respect of the case, including legal claims;
- (5) an explanation of how the consumer can accept the outcome;
- (6) an explanation that, if the consumer disagrees with any aspect of the provisional redress decision, they must notify the lender within 1 *month* of the date of this communication and provide any supporting evidence;
- (7) a statement that, if the consumer does not notify the lender within 1 *month* that they disagree with the provisional redress decision, the lender will send a *redress determination* confirming the provisional redress decision; and

- (8) an explanation that the consumer may notify the lender within 1 month if they do not wish to have their case considered under the scheme, and how they may do so.

6 Annex 10 Acknowledgement of challenge to provisional redress decisions

6 Annex 10.1 R This annex belongs to *CONRED* 6.2.16R(4)(a), *CONRED* 6.3.27R(4)(a) and *CONRED* 6.4.37R(4)(a). The communication must include the following information:

- (1) a statement acknowledging that the consumer disagrees with the provisional redress decision;
- (2) an invitation for the consumer to provide further details of their objection, including any supporting evidence supporting the objection, within 1 *month* of the date of this acknowledgment;
- (3) a summary of the evidence the lender relied on in reaching the provisional redress decision, sufficient to enable the consumer to understand and challenge that decision;
- (4) a statement that, if the consumer provides a formal objection within 1 *month* of the date of this acknowledgment, the lender will consider that objection within 2 *months* of receiving it and send the consumer a *redress determination* or a further provisional decision; and
- (5) a statement that, if the consumer provides no formal objection within 1 *month* of the date of this acknowledgment, the lender will proceed to issue a *redress determination* unless an exceptional circumstance apply.

6 Annex 11 Consumer factsheets

6 Annex 11.1 R Factsheet 1: <https://www.fca.org.uk/publication/information-sheets/motor-finance-scheme-factsheet-customers-invited.pdf>
 Factsheet 2: <https://www.fca.org.uk/publication/information-sheets/motor-finance-scheme-factsheet-customers-complained-lender.pdf>

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