

Telephone: 020 7066 9346  
Email: [enquiries@fs-cp.org.uk](mailto:enquiries@fs-cp.org.uk)

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By email: [cp24-15@fca.org.uk](mailto:cp24-15@fca.org.uk)

Dear FCA,

**Financial Services Consumer Panel response to FCA extending the temporary changes to handling rules for motor finance complaints**

The Financial Services Consumer Panel (the Panel) welcomes the opportunity to respond to the FCA's consultation on extending the temporary changes to handling rules for motor finance complaints relating to discretionary commission arrangements (DCA complaints).

Whilst the Panel understand the reasons the FCA has given for extending the pause on the usual timeframes for firms to provide a final response to DCA complaints, the Panel is concerned by the impact this will have on consumers in terms of delaying any potential redress and increasing the period of uncertainty for them.

To the extent there is widespread redress owed to consumers, the implementation of an orderly, consistent, and efficient redress scheme would be desirable. However, it is also important that any such scheme is implemented swiftly, given each additional day of delay in providing redress due to consumers will be adding to the overall consumer harm.

The Panel is concerned that the speed with which any redress is provided to consumers is not sufficiently prominent in the FCA's approach. Rather, the FCA seems more focused on the 'consistent' and 'orderly' elements of any future redress and the Panel fear it may even be setting itself an overly ambitious target – in several places, the Consultation Paper refers to achieving 'the most orderly, consistent and efficient way as possible'. Resolving this issue in a manner that maintains market integrity and confidence in the regulatory framework is obviously important, but the Panel believe this issue should be more clearly driven by the FCA's consumer protection objective. The Panel is also concerned that the nature of the FCA's information requests to firms explained in paragraph 7 appears to relate only to the impact to firms; none of these requests seem to be gathering data relevant to the impact to consumers.

The Panel notes that swift and effective redress should improve consumer confidence in the regulatory regime. Significant delays will likely have the opposite effect. Further, the Panel considers consumers are more likely to value the provision of redress which is swift and materially accurate over the provision of redress that is 100% accurate in amount, especially where the latter is subject to considerable delay. This is particularly the case during the cost-of-living crisis, which is still a reality for many. We would encourage the FCA to consider the impacts on vulnerable consumers as this could be more acute.

Please find the Panel's responses to the questions posed in Annex 1.

Yours sincerely,

Helen Charlton  
Chair, Financial Services Consumer Panel

## **Annex A – Response to consultation questions**

### **Question 1: Do you agree with our proposal to extend the pause till 4 December 2025 to allow us to complete our diagnostic work and, if necessary, allow time for us to design, consult on and implement the most appropriate redress pathways open to us?**

Whilst the Panel agrees that an extension to the pause is necessary, it is concerned about the potential impact on consumers that may result. The Panel urges the FCA to do its utmost to resolve the matter as swiftly as possible. This applies both in terms of identifying whether an FCA-sanctioned redress scheme is necessary (and if so, what it should look like), but also taking the steps necessary to ensure that once an appropriate way forward is identified, consumers receive any redress promptly.

For example, the Panel would encourage the FCA to:

- Keep timings under close review and bring decision points forward wherever possible. The Panel notes that it may make sense to bring some decision points forward for some groups of consumers, even if the matter cannot be resolved for all consumers at that time
- Consider what steps it can take now to ensure relevant firms are making arrangements to put themselves in the best position to provide redress promptly once an appropriate way forward has been identified. This may include ringfencing funds to mitigate any future delays arising for cash-flow reasons
- proceed with shortened timescales for consultation on any proposed redress scheme given the length of time this matter has been under consideration by the relevant firms and the FCA
- Ensure that all deliberations and actions explicitly consider and document putting consumer needs first.

In addition, the Panel would encourage the FCA (if it hasn't already done so) as an interested party to the related litigation, to emphasise to the court the urgency of the relevant proceedings and urge the court to minimise any delays.

The Panel notes that in the courts, consumers would receive 8% interest on sums owing or outstanding. However, a similar provision under a statutory redress system is not guaranteed. The Panel would urge the FCA to consider how it can best ensure that (where redress is due) consumers are appropriately compensated for the delay in receiving their redress caused by the pause in complaint handling. This is particularly important in the current economic climate where the 'time value of money' is more acute for many consumers. In contrast, the Panel notes that this delay gives firms a longer timespan to set aside funds for any potential redress and manage the financial consequences for them of the pause.

**Question 2: What factors, including any unforeseen consequences, should we take into account when deciding whether the pause should end early?**

In the Panel's view, any decision regarding whether to end the pause early should be driven by the need to minimise further consumer harm. Similarly, ensuring consumers are provided with appropriate redress (where required) swiftly following the end of the pause should drive the FCA's decision making process if determining what 'an early end to the pause' should look like. As noted in our response to question 1, the pause has already provided firms with significant time to prepare for the provision of any necessary consumer redress. Furthermore, paragraph 46 notes that there are likely to be in excess of 100,000 consumers who would be seeking redress; whilst the paragraph validly discusses the impact to the Financial Ombudsman Service, there is no mention of the financial and emotional impacts to those consumers of a further delay.

The argument made by the FCA in paragraph 3.14 regarding the Secondary International Competitiveness and Growth objective is not particularly strong, and it fails to mention that consumer spending is an important driver to economic growth.<sup>1</sup> Quick and appropriate redress will put money in the hands of consumers, which is the fastest way to actually spur economic growth.

**Question 3: Do you agree with the requirement that firms should inform complainants of the pause when they send a written acknowledgement?  
and**

**Question 4: Do you agree with the proposal to require firms to write to those complainants who have already received a written acknowledgment to explain that the pause has been extended?**

Yes, the Panel think this is essential and entirely consistent with a firm's obligation to ensure a complainant is informed of the progress of their complaint. It is important that the communication about these proposed changes is crystal clear to consumers.

Further, it must be noted that in many cases consumers do not know whether they have been unfairly charged under a DCA until they raise a complaint. Additionally, some consumers may have delayed the submission of a DCA complaint due to the initial decision of the FCA to implement the pause. Therefore, the Panel believes the FCA should also consider whether an additional information requirement is needed – to ensure those

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<sup>1</sup> [GDP and me \(ons.gov.uk\)](https://ons.gov.uk)

consumers who may have a valid DCA complaint are aware of the pause extension and the potential implications for them.

The extended time period gives CMCs a greater opportunity to increase their market share in relation to these complaints and although some consumers may need support in raising a DCA complaint, the process and rules must be explained in plain English to ensure that consumers make decisions in a timely manner and feel empowered to raise these complaints themselves.

**Question 5: Do you agree with our proposal that the rules should continue to extend the time limit for referring DCA complaints to the Financial Ombudsman from 6 to 15 months (or 29 July 2026 if later) where the firm sent its final response within the timeframe specified in the rules?**

Yes, this appears to be essential given the proposed pause to the timeframes for firms to provide a final response to DCA complaints.

**Question 6: Do you agree with our proposal to require firms to write to complainants who have already received a final response letter if the time they have to refer a complaint to the Financial Ombudsman has been extended?**

Yes, the Panel agree this is critical given some consumers may otherwise not pursue their claim to Financial Ombudsman Service (FOS) on the mistaken belief that they are out of time. In particular, information may come to light after the initial deadline for referring a complaint to the FOS, but before the extended deadline, as a result of the FCA's work in this area which indicates consumers should be referring their complaint to the FOS.

The Panel note the 'Consumer Support Outcome' within the Consumer Duty (the Duty) which requires firms to design and deliver support that meets the needs of consumers, including those with characteristics of vulnerability. The Panel would encourage the FCA to remind firms of their responsibilities under the Duty, especially around firms providing information and support to consumers. This should be monitored by the FCA on a regular basis.

**Question 7: Do you agree with our proposal that the period of the pause should not contribute to the 3-year period that firms are required to keep records of complaints for?**

Yes, the Panel agree.

**Question 8: Do you agree with our proposal that the rule requiring lenders and credit brokers to maintain and preserve any records that are or could be relevant to the handling of existing or future complaints or civil claims relating to DCAs, is kept in place for an extra 15 months?**

Yes, although the FCA will need to keep this under review to ensure that firms are required to maintain records for the duration of the period during which consumers can take their claims to the FOS (and such claims are being assessed) given the timeframe extensions put in place.

Finally, we note that one of the reasons given for postponing the resumption of DCA complaint processing is partly due to poor record keeping of firms and brokers. Where these records should have been kept by regulated firms, irrespective of whether there are DCA complaints, then we would expect the full supervisory/regulatory scrutiny to hold these firms to account and ensure that these weaknesses in processes are not repeated.