



<b>Policy Statement title</b>	<b>Motor Finance Consumer Redress Scheme</b>
<b>Summary of intervention</b>	The Policy Statement established the framework for an industry-wide compensation scheme for motor finance customers.
<b>Feedback date of issue</b>	13/03/2026
<b>CBA Panel reference number</b>	CBAP-0016

## CBA Panel advice

### Disclaimer

This advice has been prepared under significant time constraints and on the basis of incomplete documentation. In particular, some tables referenced in the CBA were not available at the time of review. The Panel's advice is qualified by this disclaimer.

### Main recommendations

- 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" (#32). 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 on CBA.
- 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 Service (FOS) 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.
- 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 (i.e. what trade-offs they are intended to address); (ii) why the particular quantitative thresholds have been chosen; and (iii) what their expected market, incentive, and distributional effects are.



## Summary

Category	CBA Panel comments
The market	No comments.
Problem and rationale for intervention	<p>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), stating clearly that it does “not formally consider redress liabilities under the scheme as a benefit to consumers or a cost to firms” (#32).</p> <p>It is important the CBA clearly explain why this decision has been taken and how it is consistent with scheme design choices and the FCA’s Statement of Policy on CBA.</p> <ul style="list-style-type: none"> <li>• One possible justification for the CBA’s position is that, in expectation, average redress per consumer would be the same under the scheme as under the counterfactual. If this is the intended assumption, then for a comparable population the aggregate redress would also be the same in expectation, meaning redress transfers net to zero in the NPV. A potential obstacle to this rationale, however, is that the proposed CRS includes design features (e.g. the Total Cost of Credit (TCC) cap; the <i>de minimis</i> threshold; the high loan value threshold; etc.) which <i>prima facie</i> would imply that redress transfers will differ between the baseline and the counterfactual on scheme design rather than only evidential grounds. If this is the intended justification for the exclusion of redress costs from the analysis, the CBA should therefore state this argument clearly and set out how expected average redress per consumer is nonetheless expected to be identical under both scenarios.</li> <li>• An alternative approach would be to rely on measurement uncertainty as the main reason not to quantify redress, as is suggested in #32 and #37. Exclusion from the NPV calculation on these grounds may be justifiable. If this is the intended rationale, however, it should be made more explicit and the analysis should not imply that redress costs are excluded for methodological reasons. It is important, however, to note that (i) the FCA’s Statement of Policy on CBA states that such transfers will be included in NPV calculations (#5.36-#5.40), and (ii) best practice in other contexts (e.g. Regulatory Policy Committee CBA) is to discuss and, where feasible, monetise redress to show the scale and nature of the transfers involved, even if it is not included in NPV calculations. Thus if this justification is relied on, the CBA should give a clearer explanation of how the decision not to quantify redress aligns with the FCA’s Statement of Policy on CBA and other guidance. Presenting even a broad indication of whether redress is likely to be higher, lower</li> </ul>




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or broadly similar under the counterfactual would be another option if precise measurement is deemed not to be practicable.

- The CBA includes as a third rationale that it “does not quantify redress liabilities, as issues relating to the effectiveness of the scheme at targeting consumer losses were considered elsewhere in the consultation” (#38). This argument would benefit from clarification, if it is included.

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**The Proposed intervention and alternative options**

The CBA provides only very limited analysis of new scheme design features such as the TCC cap, the *de minimis* threshold, the high loan value exemption, etc. It would be useful to explain in each case (i) on what grounds these features have been included (i.e. what trade-off they are intended to address); (ii) why the particular quantitative thresholds etc have been chosen; and (iii) what their expected market, incentive, and distributional effects are.

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**Assessment of costs and benefits**

**Baseline and counterfactual.** The CBA gives a much clearer account of the counterfactual than was done in CP25/27, but important concerns remain about how it is specified and justified.

- The specification of the counterfactual remains unrealistic to a degree which limits the practical value of the CBA’s NPV calculations. The implied volume of cases for the FOS and the courts, for example, appear unlikely to be deliverable in practice; the assumed complaints-handling period may still be too short relative to 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 individual claims independently.
- Whilst it is methodologically legitimate to present an impossible counterfactual, a more realistic specification would improve the credibility of the CBA, as well as likely raising the NPV of the baseline - thereby strengthening the case for the proposed intervention.
- To avoid confusion with options analysis, the CBA should emphasise that the counterfactual is a genuine no-intervention scenario and explain how this is consistent with the FCA’s own Statement of Policy on CBA (#7.2-#7.10) (rather than referring to the HMT Green Book, which may confuse readers as it does not apply to the FCA’s CBA).

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**Evidence and data.**

- The CBA should highlight more prominently that it is underpinned by a high-quality survey-based evidence base, drawing on firm-level data that covers almost the entire market (#136), as this adds substantially to the credibility of the analysis.
  - The presentation of data in the CBA is however sometimes hard to follow. In particular, the CBA should present more clearly key
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volumes implied by the modelling - for example, the expected numbers of redress cases, FOS referrals, and potential court actions - so readers can see the scale of activity generated by the inputs. Making these quantities explicit would give a clearer indication of the population affected.

- Spurious accuracy should be avoided where underlying assumptions are subject to considerable uncertainty, and more approximate assumptions or estimates would not affect the analysis.

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**Assumptions.** Several assumptions would benefit from further explanation. Some assumptions - such as the complaints-handling period under the counterfactual, participation gaps between older and newer agreements, and expected referral rates to the FOS - would benefit from clearer justification, as the rationale for the selected values is not always explicit. In other areas, such as the revised behavioural assumptions for firms, consumers, and representatives, the CBA sets out the components separately but does not explain how these assumptions might interact. Bringing out the reasoning behind the specific changes made since the CP25/27 CBA, and explaining why the chosen values are appropriate relative to plausible alternatives, would give a clearer view of the judgement applied.

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**Economic analysis.** The modelling framework is set out clearly, but the quantitative analysis is not always presented as a coherent whole. Some elements of the model are described in detail while others are only briefly outlined, which makes it harder to follow the chain of reasoning through the document. The CBA would benefit from clearer signposting between the tables and the accompanying text, and from a more direct explanation of how the main assumptions shape the results. It would also help if the numerical presentation reflected the economic significance of each component; in places, very precise figures sit alongside broader estimates, which gives an impression of spurious accuracy and makes it more difficult to judge the relative weight of different parts of the analysis.

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**Risk and uncertainty**

The CBA identifies several areas where uncertainty affects the estimates, but the discussion would be clearer if it drew out which uncertainties are most material to the results. This includes, in particular, the uncertainty introduced by the counterfactual's operational feasibility and by behavioural assumptions that underpin participation, referral rates and complaints-handling volumes. It would also help readers if the CBA acknowledged more directly where assumptions are judgement-based or only partially evidenced, and indicated where alternative credible values would meaningfully change the results. Highlighting these points explicitly would make it easier to understand how much weight can reasonably be placed on the central estimates and where the results are most sensitive to underlying uncertainties.



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**Wider economic impacts**

The CBA discusses a number of wider market effects, but could be strengthened by setting out more clearly the expected direction and scale of the main impacts. This includes both the positive wider economic effects of the proposed scheme relative to the counterfactual and the potential negative impacts that may arise. Some areas that deserve more attention are:

- A clearer assessment of the impact of new scheme design features, such as the *de minimis* threshold or the high loan value threshold, on the numbers of consumers who will fall in scope of the scheme, and hence on the scheme's distributional incidence.
- A clearer sense of how the scheme, relative to the counterfactual, may influence firms' financial positions, operational capacity or approach to pricing and credit supply. In particular, the analysis could acknowledge potential adverse effects such as upward pressure on car prices.

Even where full quantification is not proportionate, describing the expected direction of these wider impacts would give readers a more rounded understanding of the broader market context and how the proposed scheme compares, in economic terms, to the likely consequences of no intervention.

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