

Diagnostic report: FCA review of motor finance commission arrangements

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October 2025

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Chapter 1

Introduction

- 1.1** This report summarises our analysis of both discretionary and non-discretionary motor finance commission arrangements for the period between 6 April 2007 and 24 October 2024 when the Court of Appeal provided its judgment *Johnson v FirstRand Bank Ltd*, *Wrench v FirstRand Bank Ltd*, and *Hopcraft v Close Brothers Ltd* (*Johnson and others*). We have also summarised data from 25 October 2024 to 31 March 2025, collected after the Court of Appeal judgment.
- 1.2** The report sets out what data was collected, how it was gathered, reviewed, analysed and what it shows us.
- 1.3** The report is intended to provide a comprehensive overview of this data primarily for firms who are the subject of the proposed redress scheme. Firms will be interested in the findings on disclosure set out in chapters 5 and 6 and summarised in the Executive Summary.
- 1.4** The report includes information summarised from the skilled person review undertaken in 2024 which focused on a review of discretionary commission arrangements ('DCA')¹.
- 1.5** The analysis in this report is based on the aggregated data collected from lenders. Inevitably, there are data gaps. To close these, we have made a number of assumptions within the modelling of estimated liability assessments.
- 1.6** The data set out in this report does not reflect these modelling assumptions and there will therefore be differences between data points referred to in this diagnostic report and other data derived from the model used to make liability estimates. The data in this report is also not extrapolated to the whole market, unlike the data set out in the CP on liability estimates.
- 1.7** Where these are significant, we have footnoted the reason for the difference in this report.

Use of the Data

- 1.8** The agreement data collected, and the case file reviews conducted by the skilled person and the FCA, have helped inform our assessment of the extent and nature of disclosure of discretionary commission arrangements, tied relationships and high commission cases.

¹ We do not intend to publish the s166 aggregated report in full as it contains information which we consider to be confidential under s348 of FSMA. Firms who were the subject of the s166 have been provided with individual reports by the skilled person including full details of the results of the file reviews referred to within this report.

- 1.9** The report is factual in nature. The analysis underpins our assessment in the CP that it appears there may have been widespread failure by lenders to ensure adequate disclosure of commission arrangements. How our findings have informed part of our assessment that there may have been widespread or regular failings leading to loss or damage is set out in Chapter 3 of the CP.
- 1.10** The data has also been used to estimate the impact of redress on the market and individual lenders.
- 1.11** We set out in section 3 of Technical Annex 1 to the CP and CBA how the data has been used to estimate redress liabilities. Further details of the redress liability estimates are contained in the CP.
- 1.12** The following chapters (2- 6) can be summarised as follows:
- Chapter 2 is the executive summary which provides a summary of our findings across the key data points for both DCA and non-DCA agreements.
 - Chapter 3 introduces the motor finance sector with an overview of commercial arrangements between lenders and their brokers (motor finance dealers) and commission models, both discretionary and non-discretionary.
 - Chapter 4 provides an overview of motor finance agreement data from our data gathering exercise. The data covers 6 April 2007 to 31 March 2025. The chapter breaks down the data, with analysis across various data points such as rates, commission values, loan size and outcome of agreement.
 - Chapter 5 is a summary of analysis undertaken by the FCA of the DCA casefile review completed by the skilled person (skilled person review). The chapter sets out the methodology for sampling the lenders and the size of the casefile sample, as well as the QA process undertaken to ensure casefiles were accurate. It sets out our analysis of the data and covers key data points such as interest rates, commission value, relationships between lenders and brokers including right of first refusal and what was observed by the skilled person in respect of lender oversight of their brokers.
 - Chapter 6 focuses on our analysis of the non-DCA casefile review of individual customer agreements. The chapter sets out the methodology applied for sampling the lenders and the size of the casefile sample, as well as the QA process undertaken to ensure casefiles were accurate. It sets out our analysis of the data and covers key data points such as interest rates, commission value, relationships between lenders and brokers including right of first refusal.

Chapter 2

Executive summary

- 2.1 We reviewed 4,041 casefiles to understand disclosure practices to inform our assessment of whether there may have been widespread failings by firms.**

Introduction to data sources

- 2.2** This report sets out key data from the following sources:
- **Agreement data** – data collected from 34 firms after the Court of Appeal (CoA) judgment covering, initially, the period from 6 April 2007 to 25 October 2024. This data includes agreement date, loan value, commission type, commission amount and APR. Our analysis of this data is set out in Chapter 4. This data is used to estimate redress liabilities for the 34 firms. We subsequently expanded this agreement data to cover the period to 31 March 2025.
 - **Skilled person casefile review** – a review by a skilled person of 3,263² discretionary commission arrangements (DCAs) and 109 non DCA casefiles across 11 firms covering the period 6 April 2007 to 28 January 2021.
 - **DCA casefile review** – we reviewed 70 DCA casefiles from 12³ additional firms covering the period 6 April 2007 to 28 January 2021 when the FCA ban on DCA's took effect.
 - **Non-DCA casefile review** – we reviewed 599 non-DCA casefiles from 36 firms covering the period 6 April 2007 and 25 October 2024.

Casefile reviews

- 2.3** The casefile reviews all used the same assessment framework. The three reviews collected data on the disclosure of commission arrangements to consumers across a range of firms for both DCA and non-DCA arrangements for the period from April 2007 to October 2024. Further information on how the case files were sampled and reviewed is set out in Chapters 4, 5 and 6 with details on the findings in Chapters 5 and 6.

Commission disclosure

- 2.4** A key focus of the casefile reviews was to assess the disclosure of commission arrangements to customers by brokers at the point of sale. We identified that customers were most commonly told that that commission may be payable and in a smaller number of cases that commission *will or would* be payable. In 4% of non-DCA cases customers were told the amount of commission paid. In none of the DCA cases were customers told the amount of commission paid.

² 13 casefiles from one lender had null values so were excluded from the sample

³ 13 lenders provided data but one firm provided the data too late to be included in our analysis so 12 lenders made up the sample

Disclosure of the nature of the commission arrangement

2.5 We reviewed whether customers were told about the nature of the commission arrangement:

- In **0% of DCA casefiles** were customers told it involved a DCA.
- In **23% of non-DCA casefiles** customers were told about the nature of the commission arrangement (for example that it would be a percentage of the loan value or a fixed fee). The majority (84%) of casefiles in which customers were informed of the nature of the commission arrangement were post 2021.

Disclosure of the Right of First Refusal (ROFR)

2.6 We also reviewed whether there were undisclosed ROFR arrangements within the case files. ROFR arrangements were identified within contracts between lenders and brokers. We then reviewed whether these arrangements were disclosed to customers by brokers.

2.7 Of the 570 DCA casefiles we reviewed, we identified that there was a ROFR in the contract between the lender and the broker in 164 (29%) casefiles. For 119 (21%) of the 570 casefiles it was unclear if there was a ROFR, or the documents were missing.

2.8 Analysis of the 164 casefiles where a ROFR was identified showed that the arrangement was disclosed in 16 cases, not disclosed in 77 cases with the remaining 71 casefiles missing disclosure documents.

2.9 Overall, of the 570 cases we reviewed there is an undisclosed ROFR in 77 (13.5%) of these cases. We have used this rate rounded up to (14%) in our liability estimate model of the number of undisclosed ties across the total population of agreements.

2.10 In the non-DCA casefile review we asked if there was an ROFR in the 295 casefiles where it was recorded on the case file that the broker had access to a panel of lenders.

2.11 Of these 295 casefiles a ROFR was identified in 76 (26%) cases. The documents required to identify whether a ROFR operated were missing in 65 (22%) of casefiles.

2.12 Analysis of the 76 case files where an ROFR was identified showed that the arrangement was disclosed in 32 casefiles, not disclosed in 28 with the remaining 16 casefiles missing disclosure documents.

2.13 Overall, of the 295 casefiles there was an undisclosed ROFR in 28 (9.5%) casefiles.

Chapter 3

Introduction to commission in the Motor Finance sector

- 3.1** This chapter provides an introduction to the motor finance sector with an overview of contractual arrangements between lenders and their brokers (motor finance dealers) and commission models both discretionary and non-discretionary. It also sets out other commercial arrangements that existed across the period reviewed.
- 3.2** In the context of car financing, the relationship between a lender and a motor dealer involves the dealer acting as an intermediary (credit broker), introducing potential borrowers to lenders who provide loans for vehicle purchases. The dealer may earn commission or other compensation for facilitating the loan, while the lender provides the funds and bears the risk of the loan. There are also a small number of primary credit brokers operating in the motor finance sector for whom credit broking, as opposed to selling cars, is their main business. In this situation the motor dealer will introduce the customer to the primary broker (or the customer may go direct to the primary broker), and the primary credit broker will introduce the customer to the lender. Commission may be split between the introducing motor dealer and the primary broker.

Contractual arrangements between lenders and brokers

- 3.3** Contractual arrangements between lenders and brokers are typically set out in a small number of documents, including a Terms of Business⁴ and a Rates and Terms document⁵. The Terms of Business typically sets out the standard terms of engagement or business between the lender and the broker and includes clauses such as requiring the broker to maintain compliance with relevant regulations, for example and the Data Protection Act 1998 and, from 2014, the Consumer Credit Sourcebook ('CONC'). The Rates and Terms document typically sets out the commission arrangements agreed between the lender and broker. This includes information such as minimum and maximum rates to be charged and corresponding commission terms including where commission arrangements were discretionary.

Overview of commission models

- 3.4** During the relevant period covered by the skilled person review/DCA casefile review (6 April 2007-28 January 2021) commission models were either discretionary or non-discretionary. Since the ban on discretionary commission models came into force on 28 January 2021, only non-discretionary commission models have been permitted to operate.

⁴ The terminology for these documents differs between lenders and it is not uncommon for all information to be found in one document.

⁵ Some lenders operated franchised retail agreements which are similar to the Rates and Terms documents in that they set out the obligations of the retailer (dealer), including whether they should be considered the preferred supplier of finance.

3.5 A DCA is defined in the FCA Handbook glossary⁶ and examples can be found in CONC 4.5.7G. DCAs were arrangements where a lender permitted a credit broker to decide or negotiate (possibly within specified limits or subject to conditions or restrictions) the amount of any item included in the total charge for credit (i.e. not just the interest rate), and the amount of any commission, fee or other financial consideration payable to the credit broker in connection with that regulated credit agreement would then be affected (in whole or part) by the discretion applied to the total cost of credit.

3.6 The most common **DCAs** operated were:

- **Increasing Difference in Charges** (Increasing DiC) –also known as ‘Interest Rate Upward Adjustment’. An agreement under which the lender sets a minimum rate of interest and the commission payable by the lender to the credit broker is calculated by reference to the difference between the rate of interest set by the credit broker and payable by the customer and the *minimum* rate of interest.
- **Decreasing/reducing DiC** (Decreasing DiC)– Also known as ‘Interest Rate Downward Adjustment’. Similar to Increasing DiC, except that the lender sets a maximum rate of interest and the commission payable by the lender to the credit broker is calculated by reference to the difference between the rate of interest set by the credit broker and payable by the customer and the *maximum* rate of interest.
- **Scaled commission** – Also known as a ‘variable product fee’. The commission payable by the lender to the credit broker varies (within set parameters) according to the rate of interest set by the credit broker.

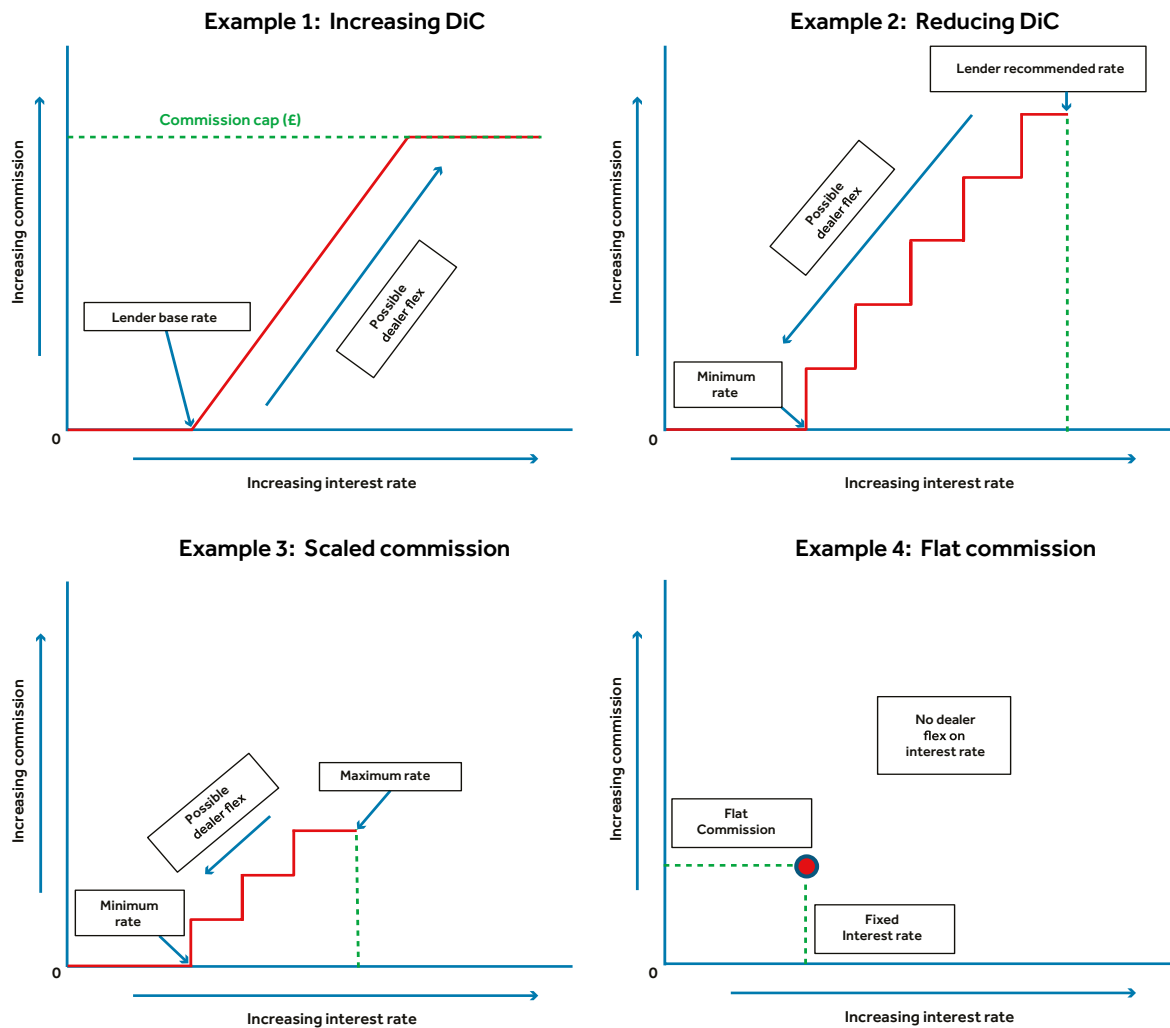
3.7 There were other, bespoke, arrangements in place with elements of discretion throughout the period covered by the review. For example, a percentage of interest charges model where brokers had discretion to choose a rate within a rate corridor set by the lender (subject to certain parameters such as the average expected rates), and commission payable would be calculated based on that fixed percentage of interest charges.

3.8 The most common **non-DCA** models are:

- **Flat fee commission model** where brokers are paid a fixed amount of commission for each credit agreement regardless of the interest rate charged to the customer.
- **Fixed percentage commission model** where commission payable is based on a fixed percentage of net advance or balance financed.

6 FCA Handbook glossary definition of a Discretionary commission arrangement: <https://www.handbook.fca.org.uk/handbook/glossary/G3573d.html>

Figure 1: Examples of motor finance commission structures



Other commercial arrangements between lenders and brokers

- 3.9** There were other forms of commercial arrangements in place between lenders and brokers that did not relate to specific agreements such as volume-based bonuses,⁷ stocking loans (finance to purchase cars), and advanced commission arrangements.
- 3.10** We carried out work to better understand the historical commercial arrangements between lenders and brokers and whether incentives, such as volume bonuses, might cause harm. We also looked at ROFR arrangements. More detail of these can be found in Chapters 5 and 6.

⁷ A volume bonus in motor finance is an incentive payment from a lender to a dealership or broker for arranging a specific number of finance agreements, often linked to achieving a certain sales target. This bonus is separate from the standard commission.

- 3.11** We met with lenders and brokers⁸ to understand how commercial arrangements and potential conflicts are handled and what customers were told about those arrangements. As set out in Chapter 4 of the CP, our work has led us to conclude that only ROFR agreements materially constrained a broker's independence at an individual agreement level. In light of that, we conducted casefile reviews to identify the prevalence of ROFRs and whether they were disclosed to customers as set out in Chapters 5 and 6 below.
- 3.12** We recognise that other forms of commercial agreement form part of the commercial relationship between lenders and brokers and are common, including loans to purchase cars, advance payments of commission and volume bonuses. We also note that these commercial arrangements were not typically disclosed to customers. However, there is no clear link between the commercial arrangement and the decision making of the broker in specific transactions. As set out in Chapter 4 of the CP whilst an incentive-based arrangement could be an influencing factor in a broker's choice of referral, incentive-based arrangements are not binding on broker's wider decisions, rather they operate at the level of the brokers wider commercial arrangements. As set out in the CP, we welcome evidence on whether other arrangements have or have not led to consumers losing out.
- 3.13** We also undertook work to understand current market practice. From our supervisory review of advanced commissions, we sampled 11 firms⁹ (5 lenders and 6 brokers) and found that advanced commission arrangements are very limited in use. As a result, we did not identify concerns with these arrangements, which appeared small in scale and in decline.
- 3.14** Stocking loans are no longer linked to volumes of retail loans to consumers and lenders are monitoring to ensure that any commercial arrangements between lenders and brokers don't cause a conflict of interest.

8 Specialist 'primary' finance brokers as well as dealers.

9 In relation to advanced commissions, 5 lenders were part of the sample review, which represented approximately 36% market share based on outstanding motor finance balances as of December 2023. As for the brokers, these were selected on a risk-based basis to cover high-volume and different intermediary models.

Chapter 4

Overview of agreement data – DCA and non-DCA

- 4.1** This chapter provides an overview of motor finance agreement data we collected. The data was requested for period 6 April 2007 to 31 March 2025. The chapter breaks down the data providing an analysis across various data points such as interest rates, commission values, loan size and outcome of agreement.
- 4.2** In October 2024 we undertook a data gathering exercise ('DD1'). We asked a sample of lenders to provide data for period 6 April 2007 to 25 October 2024 on **all** regulated motor finance agreements¹⁰ including Personal Contract Plan ('PCP'), conditional sale and fixed sum loan agreements¹¹ on cars, motor bikes, vans and motorhomes. Further detail on the firm sampling methodology can be found in Chapter 5.
- 4.3** This data set was used to select a sample of non-DCA case files also discussed in Chapter 5. The data set was also used to provide an estimate of liabilities for the firms covered by DD1 and when scaled up provides the basis for the estimates of both firm redress and non-redress costs set out in Chapters 3 and 8 of our consultation paper.
- 4.4** In April 2025, we expanded our data request asking for agreement level data on all regulated motor finance agreements to cover the period 26 October 2024 to 31 March 2025 (DD3). This was to allow comparative analysis to assess the impact of changes made by firms to processes after the CoA decision. The data for the period from 26 October 2024 was not used to contribute to the non-DCA casefile reviews or the estimates of sector wide redress liabilities.
- 4.5** Examples of agreement level data requested included:
- Agreement Execution Date, original contract length, date ended and outcome of the agreement e.g. whether loan completed – paid in full or early settlement.
 - Type of motor finance product.
 - Loan Value.
 - Commission Amount.
 - Commission model (i.e. DCA or non-DCA).
 - APR.

10 A small number of firms included non-regulated agreements in the data – see Figure 2 for 'other'

11 See paragraph 4.8 below on 'Type of motor finance agreement' for a definition of each agreement type.

Total agreement numbers

4.6 Agreement data¹² was provided for a total of 31.9m¹³ agreements across the period 6 April 2007 to 31 March 2025. This data set is also used to estimate redress liabilities, after cleaning. A reconciliation of the two data sets is set out in the table below:

Table 1: Liability estimates Model Data vs Raw Data Summary

	Raw data			Liability estimates for model (clean data set)
	DD1 (6 Apr 2007 – 25 Oct 24)	DD3 (26 Oct 24 – 31 Mar 25)	Total	6 April 2007 – 25 October 2024
DCA agreements	12.88m	0	12.88m	14.67m
Non-DCA agreements	16.15m	0.84m	16.99m	16.05m
Unknown Agreements	1.97m	7,015	1.98m	0 These are imputed as DCA or Non DCA in the liability model
Null or invalid start dates	0.08m	15	88,900	39,220 These are removed in the liability model
Out of range start dates	9,503	10,072	19,575	69,275 (Number is higher due to imputed date values in model)
Total No of agreements	31m	0.85m	31.86m	30.7m¹⁴

4.7 Note throughout this chapter,

1. References to 'Null' refer to missing or unknown data rather than a specific value such as zero i.e. where no information has been recorded by the firm rendering the data point empty.
2. All charts and figures within this chapter are based on the data for the period from 6 April 2007 to 31 March 2025. 19,575 agreements were excluded, resulting in a final dataset of 31.85M.
3. For all axis labels in the plots where bands are displayed, a parenthesis '(' indicates that the lower bound is excluded, while a square bracket ']' indicates that the upper bound is included.

¹² Data collected from 34 lenders providing details of all DCA and non DCA agreements written by these firms between 6 April 2007 to 31 March 2025, including limited data points.

¹³ 19.5K agreements were out of requested date range so were removed.

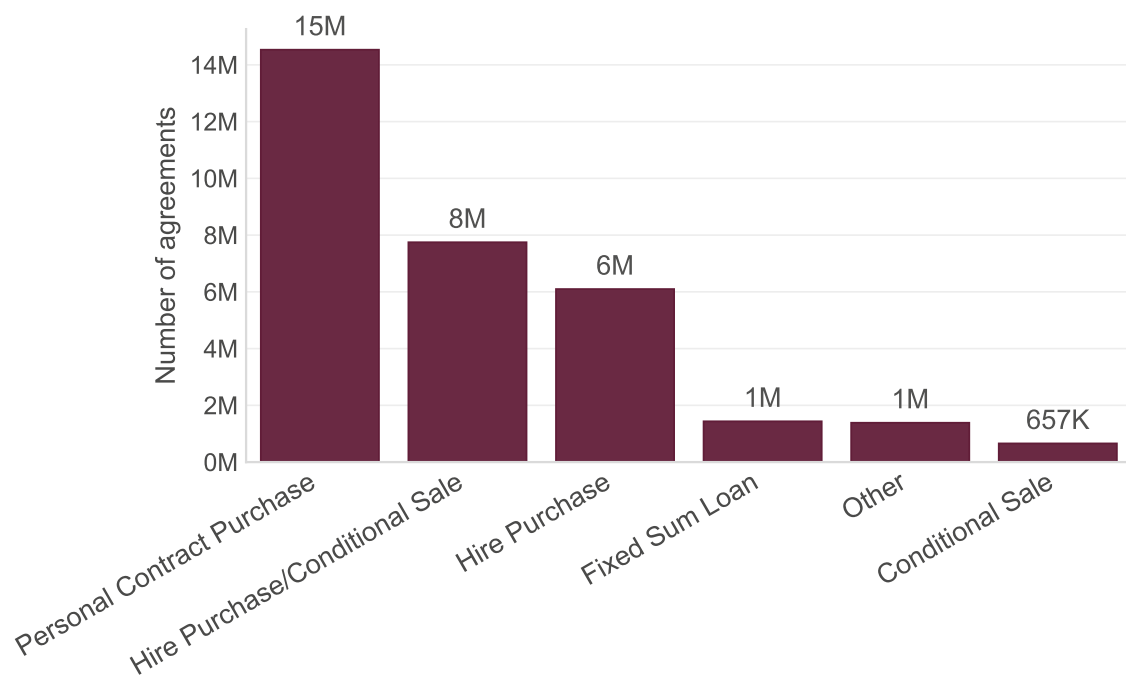
¹⁴ The cleaned dataset of liability estimates has 30.7m records. Agreements were removed from the dataset where there was negative commission and/or APR values and/or Loan amount value, and for the agreements when imputing missing start date was not feasible.

Type of motor finance agreement

- 4.8** A **Hire Purchase (HP) agreement** is a method of purchasing goods, where payments are in instalments over a set period. The purchaser does not own the car until the final payment and an additional "option to purchase" fee (if applicable) is paid.
- 4.9** A **Personal Contract Purchase (PCP) agreement** is a form of HP agreement. Payment is in instalments with the option to own the car at the end of the contract. It involves a deposit, monthly payments and an optional final 'balloon payment', often called the Guaranteed Minimum Future Value (GMFV). At the end of the contract, the customer can choose to return the car, pay the balloon payment to own it, or use any equity towards a new car.
- 4.10** The difference between HP and PCP is purely structural in that the 'balloon' payment on PCP is often much larger and linked to the expected residual value of the car rather than the 'option to purchase' fee meaning that the monthly payments are lower. HP is more suited to an intention to purchase from the outset whereas PCP anticipates a greater likelihood of the vehicle being returned at the end with any equity in the vehicle being put to another purchase.
- 4.11** In a **conditional sale agreement**, the buyer commits to purchasing the goods and becomes the legal owner upon the final payment, without needing a separate option to purchase.

Figure 2: Agreements by Product Type – Motor finance agreement type

- 4.12** This bar graph illustrates the number of agreements across different product types; 42,352 agreements did not have a specified product type. The "Other" category encompasses a range of product types. For agreements classified as Hire Purchase/Conditional Sale, the lender selected both types of agreement.



Loan values

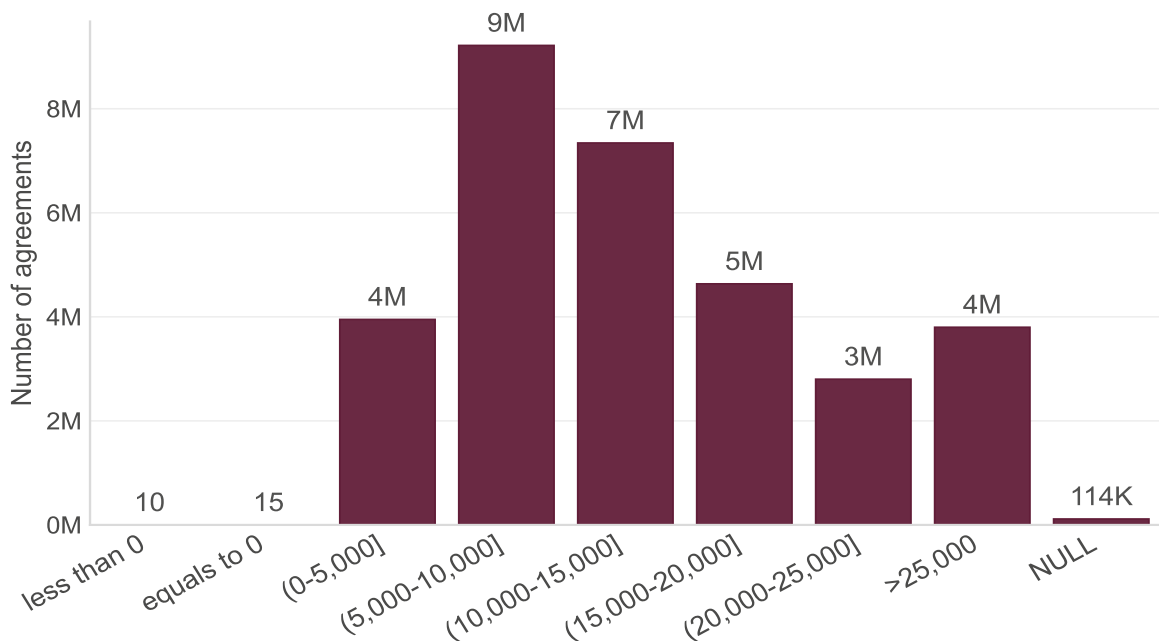
4.13 The table below sets out the average loan values present in the agreement level data

Table 2: Overview of loan amount data¹⁵

Average loan amount of all agreements	£14,412
Average loan amount of DCA agreements	£11,353
Average loan amount of non-DCA agreements	£17,096
Average loan amount of agreements where agreements-type is unknown	£11,428
Median of loan amount of all agreements	£11,680
Median of loan amount of DCA	£9,210
Median of loan amount of non-DCA agreements	£14,625
Median of loan amount of agreements where agreements-type is unknown	£9,889

Figure 3: Distribution of Loan Amount

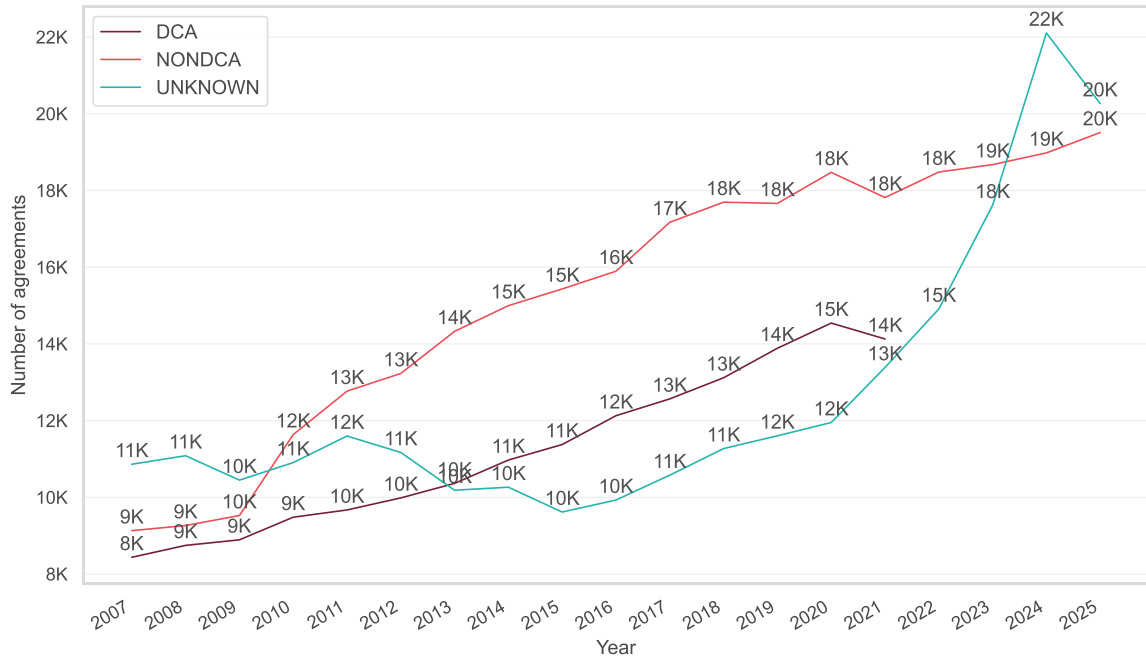
4.14 We categorised loan amounts into bands of £5,000 increments, ranging from 0-£5,000 to >£25,000.



¹⁵ There are agreements where erroneous loan amounts are present either negative or in millions, these agreements are not removed when calculating the average and median loan amounts.

Figure 4: Average loan amount

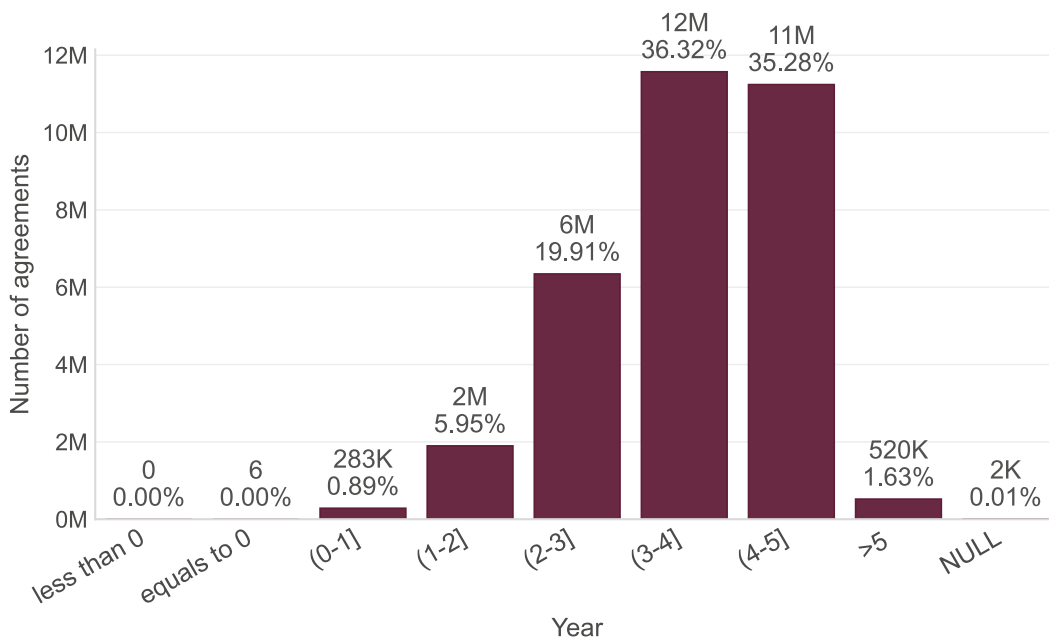
4.15 The time series below illustrates the average loan amount associated with each commission model type. A simple average is calculated by summing the total loan amount for each year and then dividing it by the number of agreements recorded in that year.



Contract length

Figure 5: Agreements by contract length bands

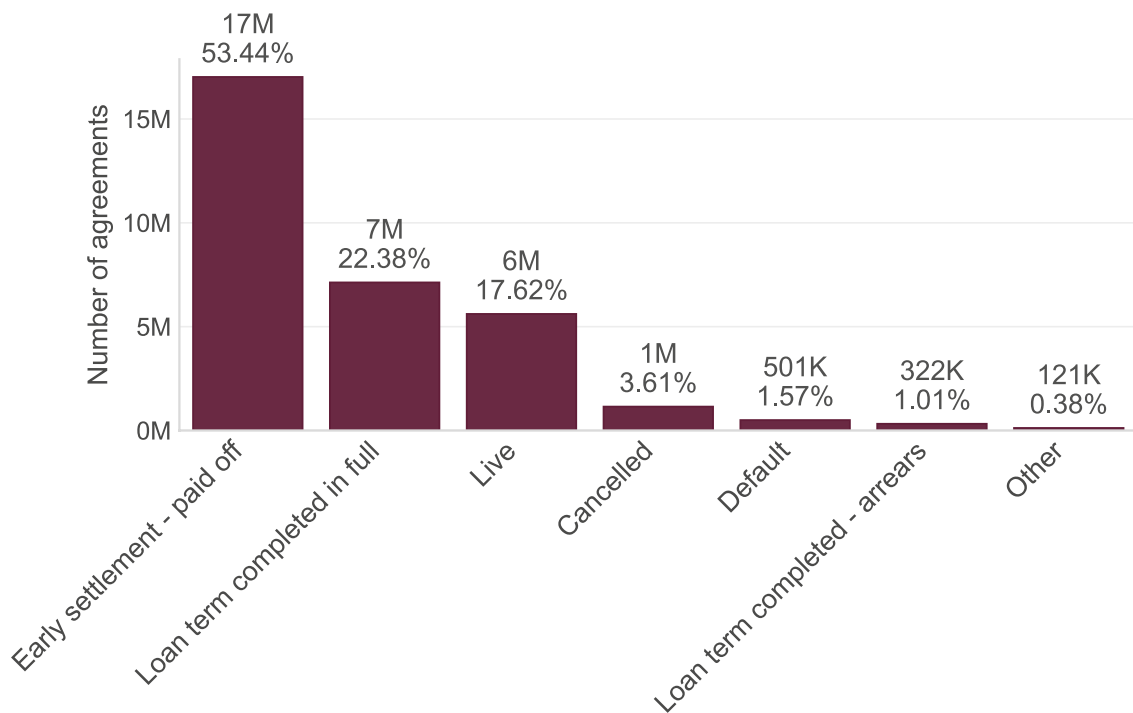
4.16 The bar plot below illustrates the distribution of agreements based on loan term length. Loan terms were grouped into bands with 1-year increments, ranging from 1 year up to more than 5 years. Additionally, the plot includes agreements where the contract length was negative, zero, or unspecified.



Outcome of agreements e.g. did the agreement complete within the term

4.17 The chart below shows the outcome for agreements within the agreement level data. The "Other" category includes agreements where the outcome was not specified. 53% of agreements are settled early. This will include agreements where customers have refinanced a new car from the sale of the old car (which may or may not be from the same dealer).

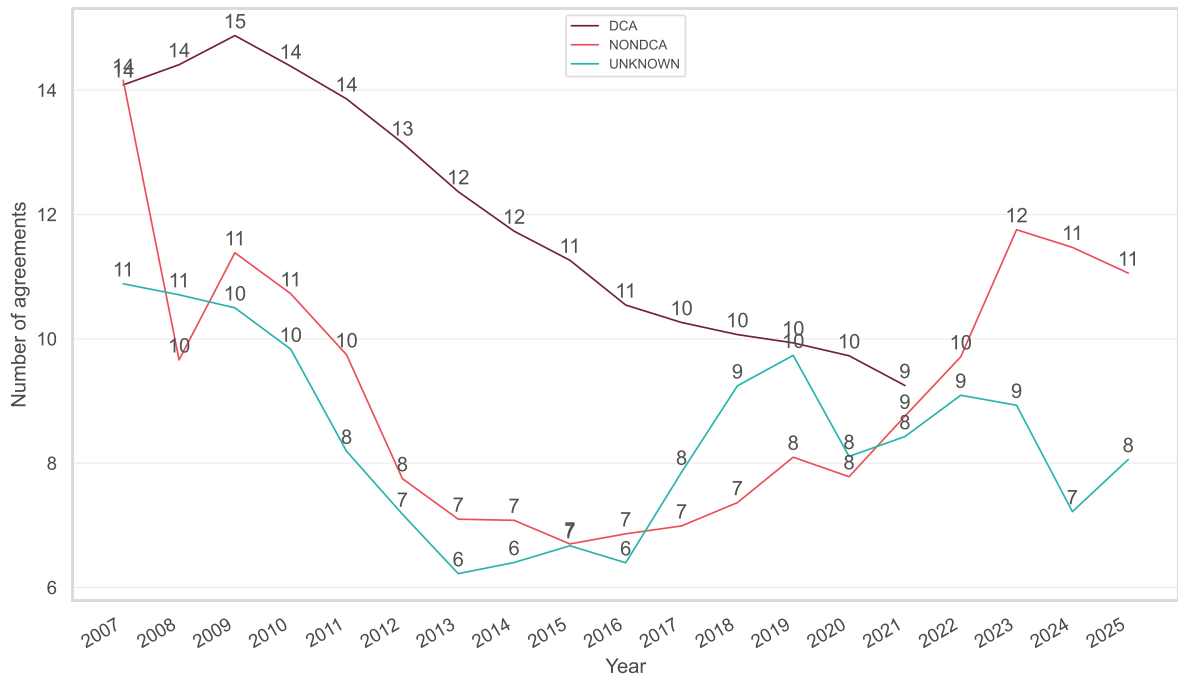
Figure 6: Agreements by outcome



APR values across the period

4.18 The chart below shows average APRs for DCA and non-DCA agreements between April 2007 and March 2025. Average APR is 11.9%¹⁶ for DCA and 8.9% for non-DCA agreements.

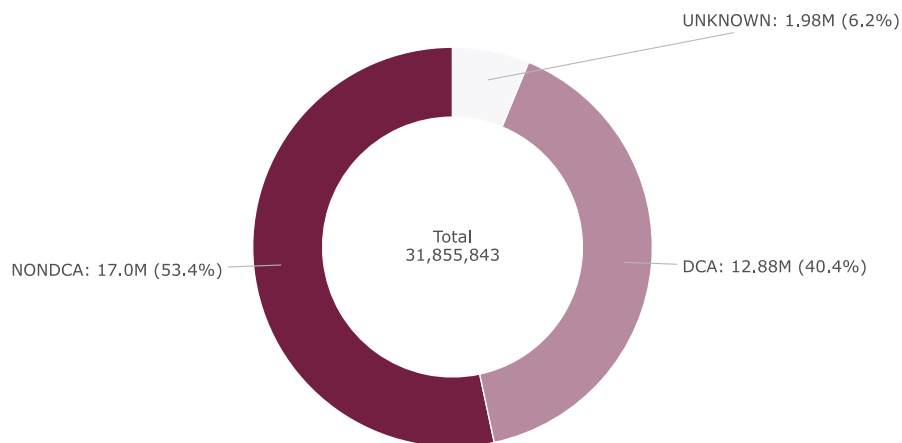
Figure 7: Average APR for all agreements over time



Commission models

Figure 8: Agreements split by commission model type¹⁷

4.19 The chart below shows the number of agreements for each type of commission model present in the agreement level data.



¹⁶ Average APR is calculated as the total sum of APR divided by the number of APR (Sum of APR ÷ Count of APR).

¹⁷ Note this shows all agreement numbers provided which includes agreements that fell just outside of the 6 April 2007 to 31 March 2025 period

Figure 9: Non-Zero commission agreements split by commission model type

4.20 The chart below shows the distribution of non-zero commission agreements under each category of commission model type.

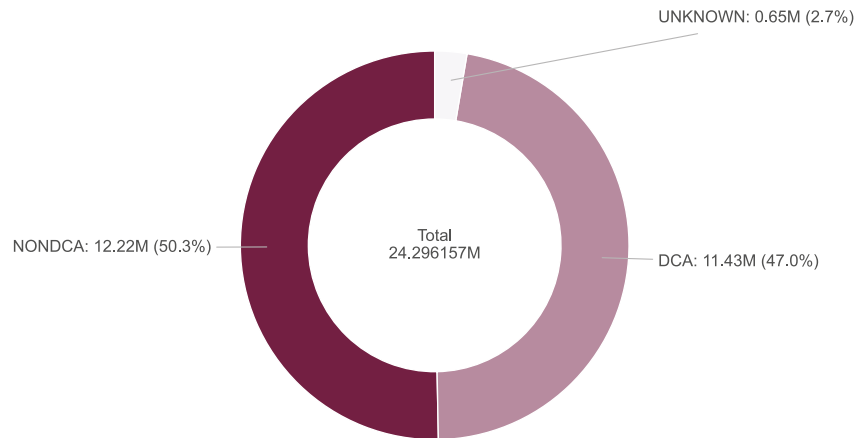
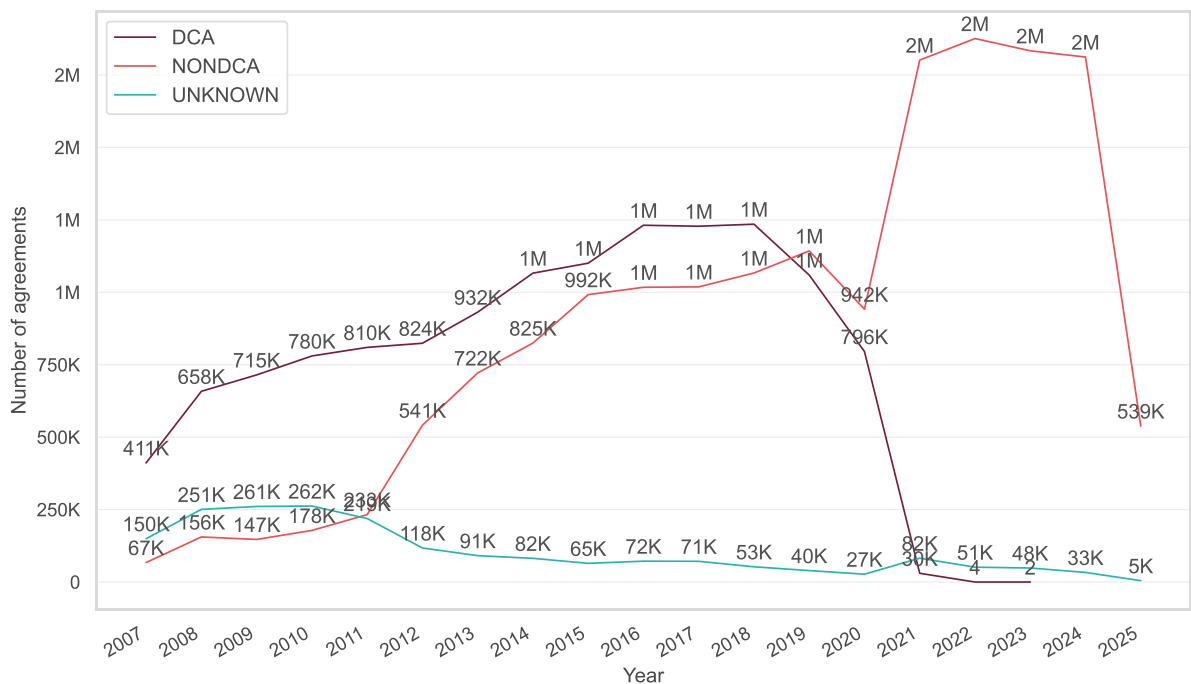


Figure 10: DCA and non-DCA agreements under each commission model

4.21 The time series below illustrates the annual number of agreements recorded under each commission model type.



Commission values

4.22 The table below sets out the number of agreements with commission amounts.

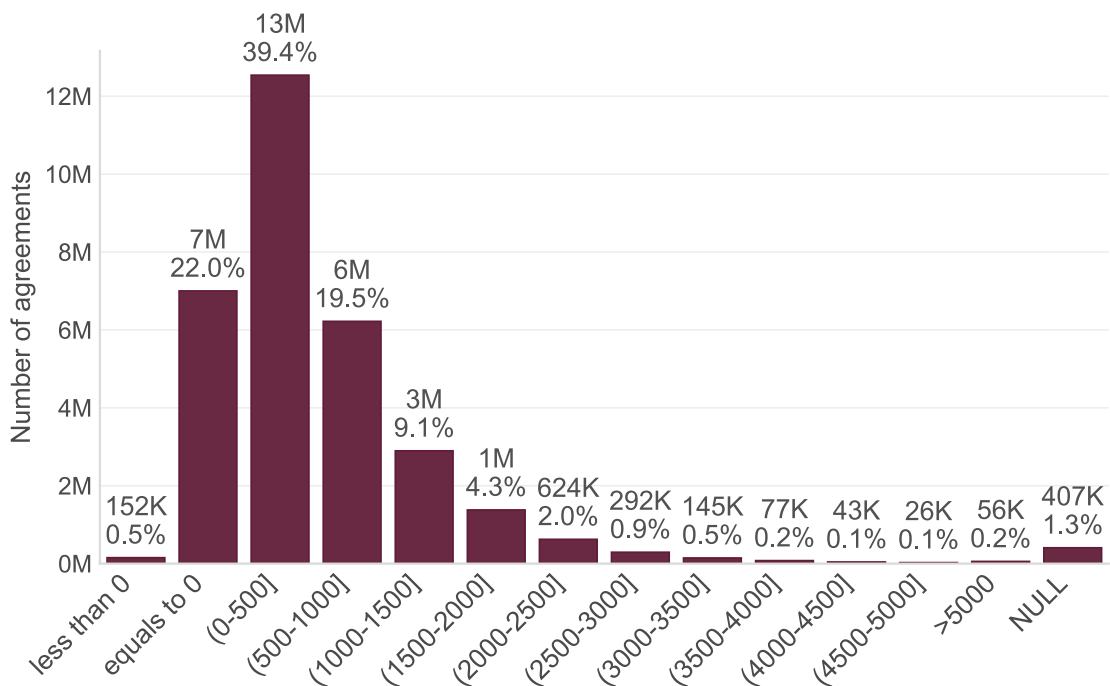
Table 3: Overview of commission amounts

	DCA	Non-DCA	Unspecified	Total
	Number of agreements	Number of agreements	Number of agreements	
Commission>0	11.43m	12.22m	0.65m	24.29m
Commission=0	1.23m	4.50m	1.27m	6.99m
Commission<0	37,192	63,521	51,765	0.15m
Commission is null	0.19m	0.21m	9,304	0.41m
Total	12.88m	16.99m	1.98m	31.85m

	Average Commission amount		
	DCA	Non-DCA	Unspecified
For all agreements	£669	£494	£132
For agreements where Commission>0	£745	£682	£435

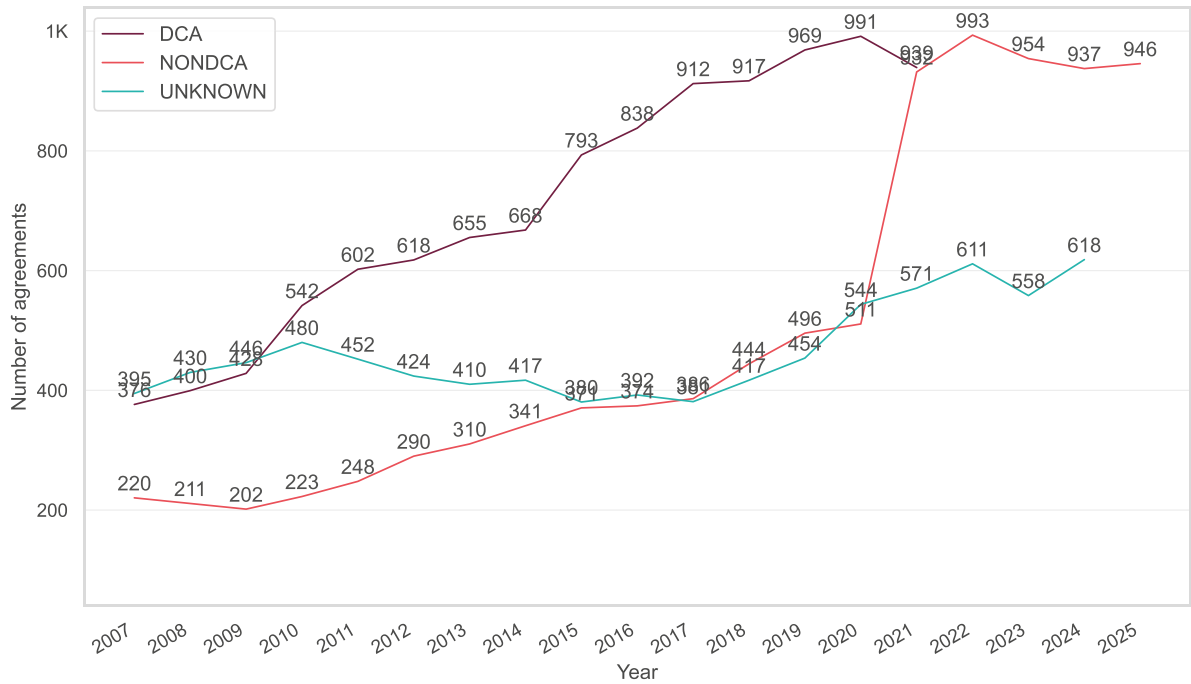
Figure 11: Agreements grouped by commission bands

4.23 Below bar plot shows the distribution of commission amounts. The commission amounts were grouped into bands of £500 increments, ranging from £0 to £5,000. In addition to these bands, separate categories were created to capture negative, zero, and null commission values.



4.24 The time series plot below presents the average commission amount for each commission model type over the period during which the data was collected. This plot considers the agreements where commission paid was positive. A simple average is calculated by summing the total commission amount for each year and then dividing it by the number of agreements recorded in that year.

Figure 12: Average commission (>0) amount over time for each agreement type



Chapter 5

Our work on DCAs

- 5.1** This chapter is a summary of our analysis of the DCA casefile review of individual customer agreements completed by the skilled person (skilled person review/s166) and undertaken by the FCA (DCA casefile review). The chapter sets out the methodology applied for sampling the lenders and the size of the casefile sample, as well as the QA process undertaken to ensure casefiles were accurate. It sets out our analysis of the data and covers key data points such as interest rates, commission value, relationships between lenders and brokers including ROFR.
- 5.2** This chapter also provides a summary of what was observed by the skilled person in respect of lender oversight of brokers.

Methodology – skilled person review

- 5.3** In early 2024 the FCA appointed a skilled person to collect evidence on firm practices in relation to historical motor finance primarily¹⁸ discretionary commission arrangements entered into from 6 April 2007¹⁹ to 28 January 2021.
- 5.4** This review included a detailed analysis of a representative sample of customer files. The skilled person provided a report under FSMA section 166(3)(b)²⁰.
- 5.5** The purpose of the review was to gain more information about how DCAs were used during the relevant period, including arrangements between lenders and brokers, the disclosure of information to consumers and the outcomes consumers received. The review was undertaken to help us determine whether lenders had acted in accordance with our rules and applicable legal requirements and, if not, whether customers had experienced harm as a result.
- 5.6** The review was factual, and the skilled person did not provide any judgement on whether lenders had complied with our rules or the law. We reviewed the facts gathered to determine whether or not firms had breached our rules or applicable legal requirements.
- 5.7** Eleven motor finance lenders covering approximately c.66.1%²¹ of the motor finance market by loan value were selected to be part of the skilled persons' review. They were selected using a risk-based approach aimed at identifying the lenders with the potential highest risk of customer detriment based on volume of agreements, information previously collected from lenders' regulatory data and Financial Ombudsman Service complaint numbers.

18 And also 109 non-DCA casefiles as one lender provided 9 not 10

19 6 April 2007 was when the Financial Ombudsman Service's jurisdiction expanded to include consumer credit disputes including those relating to motor finance. Prior to this date the Financial Ombudsman Service did not have authority to handle these types of complaints; 28 January 2021 was the date the CONC rules came into effect banning DCAs. The unfair relationships provisions in Part IX of the Consumer Credit Act 1974 also came into force on 6 April 2007.

20 The Report consolidates information gathered from the firms and provides a summary of that information, including changes that occurred over the period covered by the review

21 Based on year-end outstanding motor finance lending balances in 2023

5.8 The review had three workstreams:

- The design and operation of lenders' commission arrangements.
- Lenders' oversight of brokers and governance arrangements; and
- A review of 299 customer casefiles from each firm where DCAs were used. For comparison only, 10 non-DCA casefiles per firm were also completed²².

5.9 For the workstreams covering the design and operation of lenders' commission arrangements and oversight of brokers and governance arrangements, the skilled person reviewed information and data from the lenders including:

- The types of commission models used during the relevant period.
- Contractual agreements.
- Policies setting out approach to compliance testing and due diligence.
- Committee Terms of Reference (ToR) and minutes; and
- Response and implementation of regulatory changes.

5.10 For the customer casefile review, a sampling plan was determined by the FCA, in consultation with an independent statistician external to the FCA with input from the skilled person. A copy of the statistician's report is included at annex 3. The sample was determined to be representative of the overall population of customer files from which the sample was drawn. Sample sizes were calculated (using the total population of agreements subject to DCA) at a 95% confidence level with an applied error rate of 1%²³. Based on this methodology the sample size was set at 299²⁴ DCA agreements per firm, along with a smaller 10 casefile review per firm of non-DCA arrangements.

5.11 In anticipation of missing documentation and files, the skilled person also performed oversampling²⁵ of 100% so that replacement files could be requested if required. The sample was selected using data provided by the lenders for all regulated motor finance agreements entered into between January 2007 and January 2021 and ensured a spread across commission type and year the agreements were entered into²⁶.

5.12 It should be noted that the skilled person review covered regulated credit agreements only. These included hire purchase, personal contract purchase and fixed term loans. The review excluded consumer hire, personal contract hire and lease agreements.

22 1 lender provided 9 non-DCA casefiles

23 This describes the reliability of a statistical estimate. In layman's terms, a confidence level is a measure of the likelihood that a dataset is accurate. A 95% confidence interval is a numerical range that, upon repeated sampling, will contain the true value 95% of the time i.e. there is only a 5% chance of being wrong. 1% error rate denotes the margin of error that gives you confidence in your survey results. Generally, the lower the margin of error, the better. It means the survey results are closer to the true population.

24 Two firms determined after the deadline for sampling requests had passed that 11 and 13 agreements respectively were out of scope and excluded from the review resulting in a population of 288 and 286 casefiles for those firms. One lender provided 298 casefiles.

25 In anticipation of missing documentation and files, alongside instances where cases would be considered outside of the scope of this review (e.g. where the agreements were unregulated or did not relate to the finance of a motor vehicle), the skilled person also performed oversampling of 100% so that replacement files could be requested. These replacement files were also randomly selected until the sample reached 299 per lender.

26 Note this sample was not weighted on customer type e.g. prime/sub-prime or nature of the vehicle sale e.g. new/used

DCA casefile review

- 5.13** In parallel with the skilled person review, we requested casefiles from an additional random sample of lenders across the motor finance sector and across the relevant period.
- 5.14** This was to ensure that the evidence collected about motor finance discretionary commissions was from a representative sample of lenders across the whole market. The sample of lenders and the sampling methodology were selected following further advice from the statistician. Lenders were sampled by reference to the number of outstanding motor finance loans in 2023.
- 5.15** We collected data from twelve lenders. In line with advice from the statistician, the number of casefiles selected ranged between 3 and 8 per firm (70 in total). The casefiles were randomly selected from a list of regulated loans provided by the lenders.
- 5.16** The lenders included in this sample accounted for approx. 18.2% of the market²⁷.
- 5.17** In total, across the skilled person review and DCA casefile review 3,333 casefiles were reviewed plus a further 109 non-DCA casefiles which were reviewed for comparison purposes only by the skilled person. These non-DCA casefiles were not intended to be statistically representative; rather they provided insight into differences and similarities between the different commission arrangements.

Customer Assessment Form (CAF)

- 5.18** A template was designed, titled the **Customer Assessment Form** (CAF), to enable a consistent format for capturing the output of the casefile reviews. A copy of the CAF is at **Annex 1**. The CAF covered 107 data points with evidence sought across a number of areas including:
- Transactional data (i.e. terms of the agreement) such as the credit value of the loan and interest charges included in the total cost for credit
 - Rates (APR, actual interest rate and flat interest rate).
 - Whether the DCA was used and how it impacted the APR and commission paid; and
 - The extent of any disclosure made to the customer about the commission paid to the broker including the nature of the arrangement and amount of commission paid.
- 5.19** Lenders were asked to provide both unstructured data e.g. a copy of the original customer agreement and structured data, e.g. data extracted from lenders' databases, as casefile evidence.

27 Based on year-end outstanding motor finance lending balances in 2023.

Data gaps

- 5.20** All casefiles contained *some* data, so even when documents were missing, the lenders were able to provide structured data, particularly for transactional level data such as the total credit value and the APR. For example, alongside the documents, lenders provided evidence such as system screenshots and structured data with minimum/maximum interest rates²⁸ and commission values.
- 5.21** Gaps in the data were particularly prevalent in agreements pre-2014 but could be observed across all years. The key factor in this was lenders' retention policies²⁹, but lenders were also reliant on data provided by their brokers which was also impacted by brokers own retention policies and brokers exiting the sector. These limitations also applied to the DCA casefile review.
- 5.22** The table below shows examples of data gaps (NULL records) across a selection of the CAF questions across *some* of the years

Table 4: Data Gaps (number of casefiles where data point was not available)

CAF data point	Total NULL	2007	2009	2012	2013	2014	2016	2017	2018	2019	2020
Date of agreement execution	7										
Total credit value (£)	1							1			
Term of loan	0										
APR of agreement	3						2				1
Min APR that could have been charged for this transaction	1803	72	140	152	149	163	146	126	98	82	55
Max APR that could have been charged for this transaction	1994	76	143	163	182	185	151	130	100	82	55
Total commission	8	1	1	1	3	2					
Details of the commission model	47	5		4	2	2	3	7	1	4	3

(1) Examples only. The list does not show all data gaps across the whole relevant period

28 We asked for Minimum and Maximum a) interest rate b) flat rate and c) APR as per the lender broker agreement and the rates that could have been charged for this transaction

29 Lenders typically retain data for a period of 6 years from the date a credit account is closed or settled

- 5.23** Where a personalised (customer specific) document was unavailable the skilled person sought to obtain evidence by, for example, requesting structured data on rates (specifically minimum/maximum rates which firms were able to calculate rather than the figures being observable on individual casefiles) and reviewing generic *indicative* customer documentation i.e. documents that had been applicable during the period specific to the individual casefile as mapped by the lenders.
- 5.24** The gaps in the data were not significant enough to impact our overall analysis (either strength or validity) given the sample size of casefiles reviewed had built in sufficient margin of error (+/-1%).
- 5.25** The lenders in scope of the skilled person review were required to complete an attestation. This involved attesting that all reasonable steps had been taken to provide complete and accurate casefiles. This included that relevant information had been requested from brokers and provided, and that an explanation has been provided where information is no longer available or readily accessible.

Quality Assurance

- 5.26** We undertook quality assurance ('QA') including assessments of a random number of completed customer casefile reviews. We undertook a two-stage approach to QA:
- 5.27** **Stage 1** – In line with advice from the statistician, QA was undertaken in "batches" as the work progressed rather than upon completion of all reviews. This enabled feedback to be given to the skilled person at the earliest opportunity. In many casefiles the skilled person used the feedback to raise queries with the lenders themselves.
- 5.28** The FCA QA was undertaken in addition to the skilled person's own QA process (which required analysts to meet desired quality standards through ongoing monitoring, 'check the checker' activities and thematic tests to identify broader trends). The FCA QA consisted of reviewing and providing feedback on factual errors such as an incorrect actual end date or deposit figure, identifying inconsistencies in approach to completion of the CAFs, and providing clarity where needed on the CAF questions.
- 5.29** For example, we provided the skilled person with guidance on products or services that might be recorded for the CAF question at 8.1a on sources of additional non-commission revenue for the broker. This was subsequently communicated to firms within the scope of the skilled person review. Guidance was also provided on what characteristics might lead to a customer being recorded as potentially vulnerable and the QA process led to the addition of questions in the CAF asking for min and max APR after it was identified that some lenders used APRs, rather than flat or actual rates, in their rates and terms docs. FCA QA queries were regularly fed back by the skilled person to the lenders where clarity was needed of the evidence on file.
- 5.30** In total 176 DCA casefiles, equating to an average of 16 per firm, were initially randomly sampled and QA undertaken by the FCA. For the non-DCA skilled person sample, 22 casefiles (2 per firm) were also subject to QA.

- 5.31 Stage 2** – Stage 2 consisted of a further 77 QA reviews (22 of which had been subject to initial FCA QA and a further 55 randomly selected) to ensure that feedback had been actioned.
- 5.32** In total around 8% of DCA casefiles were subject to FCA QA.
- 5.33** The skilled person recorded the evidence source for each data item (e.g. agreements signed by the customer or system screenshots). This enabled the FCA to identify the quality of the data source, with this also being subject to QA assessment.
- 5.34** A sample of 10% of the overall sample population of completed casefiles³⁰ were subsequently shared by the skilled person for discussion with the lenders and trilateral discussions (skilled person, FCA and the lenders) held to discuss the findings. Lenders were asked to provide feedback if they considered that data had been incorrectly recorded. Each lender was also provided with a draft of their individual report and invited to provide feedback in writing and meetings with both the skilled person and the FCA before the report was finalised.
- 5.35** Whilst the DCA casefile reviews were completed in-house by the FCA they were also subject to the same independent QA process, including recording the source of each data point.

Broker oversight and governance (skilled person review only)

- 5.36** The skilled person reviewed lenders oversight of brokers and governance arrangements.
- 5.37** This followed on from the FCA's motor finance review, concluding in 2019³¹, which looked at the controls lenders had in place to monitor compliance by brokers with the FCA's CONC rules. As part of this review, a questionnaire was sent to lenders about the controls they had in place, and a mystery shopping exercise was carried out with a number of brokers to explore the sales process itself. We identified that some lenders may have been unduly reliant on contractual requirements and the provision of standard documentation and procedures and may not have monitored brokers sufficiently closely or acted where issues were found. As a result of the review, we asked lenders to review their policies, procedures and controls to ensure they were complying with all relevant regulatory requirements and were treating customers fairly.
- 5.38** The skilled person reviewed lender documentation setting out the broker oversight and governance arrangements that were in place during the relevant period, including those specifically in relation to oversight of commission disclosure.
- 5.39** The review identified that between 2007 and 2014 there were limited examples of broker oversight by the lenders. In 2014 the FCA took over regulation of the sector and the Consumer Credit Sourcebook (CONC) came into effect. Lenders have since then been subject to oversight obligations in 1.2.2R of CONC as regards employees, agents and others acting on their behalf³².

30 Consisting of 2 batches of 10 and 21 casefiles respectively

31 [Our work on motor finance – final findings](#)

32 CONC 1.2.2R... requires a firm to (1) ensure that its employees and agents comply with CONC; and (2) take reasonable steps to ensure that other persons acting on its behalf comply with CONC

- 5.40** The skilled person review observed that oversight and governance of brokers by the 11 lenders developed gradually post 2014. For example, some lenders undertook activities such as onboarding checks, collecting and reviewing management information and/or carrying out site visits
- 5.41** Up to 2019 oversight of brokers was typically the responsibility of lenders' sales staff, such as Relationship Managers, who were also responsible for generating sales and relationship management. From 2019, responsibility for monitoring brokers moved away from sales staff, with more use of committees and compliance teams and the use of MI to develop a risk based monitoring approach.
- 5.42** The information obtained by the skilled person was consistent with our own findings in the 2019 Motor Finance Review. That review found that lender controls were not sufficient to adequately mitigate the potential risk of poor outcomes for consumers arising from commission models such as Difference in Charge (DIC).

Lender oversight of brokers specifically in relation to commission disclosure

- 5.43** Lender and broker contractual documentation typically contained clauses requiring the broker to provide commission disclosures to customers. Lenders also produced training and guidance documents for brokers from around 2012 onwards. Some examples included:
- A sales checklist from 2012 which included an attestation on commission disclosure, requiring the broker to tell the customer whether they were acting as an independent credit intermediary or working exclusively for a lender, and to disclose, if appropriate, that they will earn commission.
 - A sales process guide from 2015 noted: *'the adequate explanation must include that you or your firm may be paid commission. Where the customer asks how much commission, fee or other remuneration you will be paid, you must tell them the amount in good time before the agreement is signed. You must tell customers if you will receive any commission for selling our products if this may prevent you from being impartial during the sale or may affect the customers decision to take out our loan'*.
 - From a Rates and Terms letter from 2016: *'As you'll be aware the FCA have made it clear that the issue of financial incentives is a priority for them with published guidance issued in January 2013. Section 4.5 of CONC, which all intermediaries must follow, reinforces the requirement that all intermediaries must disclose the existence of any commission payable by a lender to an intermediary "in good time before a credit agreement is entered into". Should the customer request the amount of commission, you are obliged to tell them. We recommend that this is included as part of your adequate explanation conversation with your customer'*

- 5.44** Prior to 2019 there was limited evidence to demonstrate lenders were assessing or monitoring what brokers disclosed to consumers about commission arrangements. From 2019, onwards, following publication of the FCA's review, we saw evidence of lenders including commission disclosure in oversight frameworks and setting in place better controls, such as prompts in systems for commission disclosure. Some lenders commissioned external reviews that had a focus on commission. The skilled person was also provided with examples of updated guidance being issued to brokers on commission disclosure. In one example, a guide was circulated highlighting the need to prominently disclose the existence and nature of the commission arrangement in place and how it would impact the amount payable by the customer.
- 5.45** Between 2019-2021, a small number of lenders also started to use technology to enable them to evidence commission disclosures, such as using disclosure statements in e-signature products or requiring brokers to 'click' to confirm a disclosure statement had been read to the customer.
- 5.46** In Chapter 6 we have provided a summary of current disclosure of commission processes post the CoA.

Findings from the skilled person review and DCA casefile reviews

- 5.47** The following is a summary of our findings from the DCA skilled person review and DCA casefile review. A total of 3,263 DCA casefiles were reviewed from across the 11 lenders in the skilled person review and 12³³ lenders in the separate DCA casefile review where a further 70 files were sampled by the FCA.
- 5.48** The data and findings below are in relation to the total 3,333 casefiles reviewed.
- 5.49** Note the following analysis has been undertaken using the skilled person and DCA casefile review data **only NOT** the DD1 agreement data set out in chapter 4 so the numbers will differ.

Background data from the casefile reviews

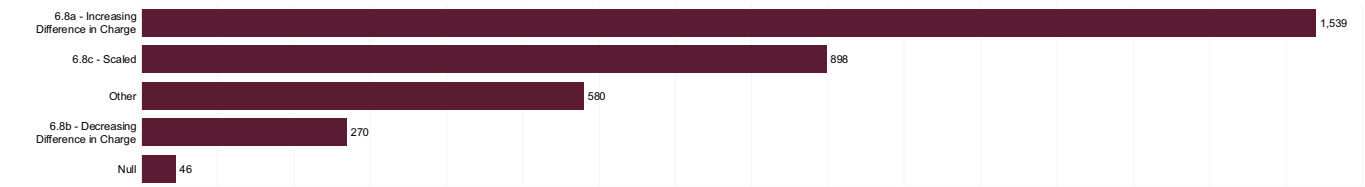
Overview of commission models

- 5.50** Between 2007 and 2021 all lenders in the sample had at least one DCA model in place. All but two firms retained the model until the FCA banned it in January 2021.

33 One additional firm was included in the sample but provided the data too late to be included in our analysis so twelve lenders made up the sample

5.51 The following commission models were used:

Figure 13: DCA Agreements by Commission Model



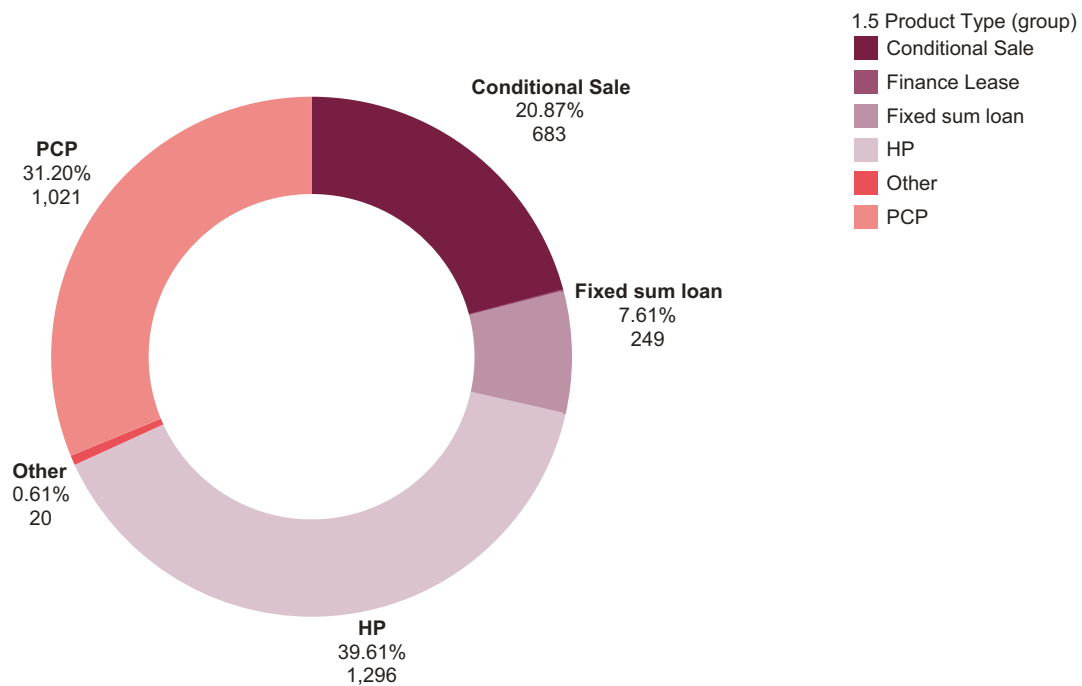
* Agreements have been grouped into similar commission models.

5.52 'Other' models are for casefiles where the skilled person was unable to attach a specific/single model to the casefile.

Agreement types

5.53 Within the casefile sample were the following agreement types:

Figure 14: DCA Agreements by Product Type



* Agreements with Null product types have been excluded.

Loan term, value and charges

Table 5: Most common and average loan term, credit value, interest and non-interest charges included in the total charge for credit

	Average	Most common band
Loan term	47 months	4- 5 years (on basis agreement is completed to term)
Credit values per transaction	£11,779	£10,000-£25,000
Non-interest charges³⁴ included in the total charge for credit	£151.75	£200-£300
Interest charges included in the total charge for credit	£2,745	£1,000-£2,500

- 5.54** 63% of agreements³⁵ in the sample settled early³⁶. Some of these customers may have taken new finance on a new car settling the earlier loan as part of this transaction, but we do not have data on what percentage of loans were refinanced this way.
- 5.55** 6.6% of agreements in the sample settled within the first 6 months. We note that in these casefiles some lender/broker contracts referred to commission clawback³⁷ either in full or part.
- 5.56** The information collected from firms by the skilled person review material on clawback is in narrative form i.e. not in a data format, and we have not analysed this to provide an estimate of total clawback³⁸.
- 5.57** Outside of the sale of the vehicle, brokers sold additional goods and services with an average cost of £528.80³⁹ on 42% of total transactions. Examples of goods and services included car servicing plans and fabric and paint protections. This relates to products/ services sold at point of sale only⁴⁰. Brokers may also have earned commission from the sale of insurance products.

Vulnerable customers

- 5.58** In 49 of 3,333 agreements there was evidence on file that the lenders identified at the outset of the agreement that a customer might demonstrate characteristics of vulnerability⁴¹.

34 Examples of non-interest charges included in the total charge for credit are acceptance fees, transaction fees or document fees

35 Excludes 35 NULL cases

36 Note this is higher than the figures found in across the wider agreement data

37 A commission clawback is a provision in the lender/broker agreement that allows the lender to recover the commission already paid to the broker if certain conditions are met, for example the customer cancels the contract within a specified period or defaults at any time during the agreement. Examples include "commission was subject to claw back for early settlement within 6 months or throughout the life of the agreement in the event of customer default" and "Partial Debit Back for early settlement before the first 3 payments are made. Full debit back if customer withdraws/ cancels, termination, repossession, legal proceedings, fraud"

38 We did not take account of commission clawback in assessing redress liabilities

39 Average non-commission revenue value is calculated as the total non-commission revenue divided by the number of non-commission revenue (Sum of Non-Commission Revenue ÷ Count of Non-Commission Revenue).

40 We have not looked at whether the sale of additional products or services has any impact on the commission

41 We note the period covered by this review was prior to the FCA publishing final guidance on the (identification and) fair treatment of vulnerable customers in February 2021 (FG21/1) and therefore firm's lending processes not being typically designed to flag vulnerability may be a factor in the low numbers being identified

5.59 Examples of characteristics of vulnerability included age which, whilst not a factor per se, if a customer was in their late 70's and their agreement continued into their 80's for the review they were treated as having characteristics of possible vulnerability. Another example observed on a casefile was where a customer's credit reference file showed that they missed 2 home collected credit payments. They were treated as vulnerable given the nature of the home collected credit loan.

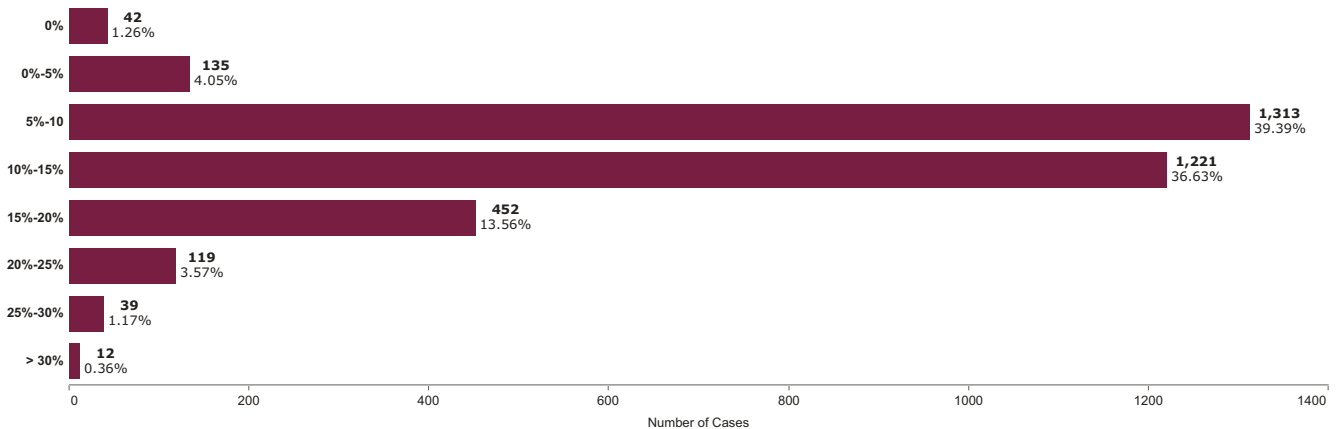
Overview of Rates

5.60 Lenders used a mixture of flat rates⁴², actual interest rates⁴³ and APRs⁴⁴. The rates that were included within the customer's credit agreement varied between brokers with the APR being the most common across the board and interest expressed as either a flat or actual rate (occasionally both).

APRs

5.61 Across our casefiles APRs typically were between 1 and 15% with 5-10% most common and 1.5% of arrangements having APR above 25% as shown in the charts below.

Figure 15: DCA agreements grouped by APR bands (%)

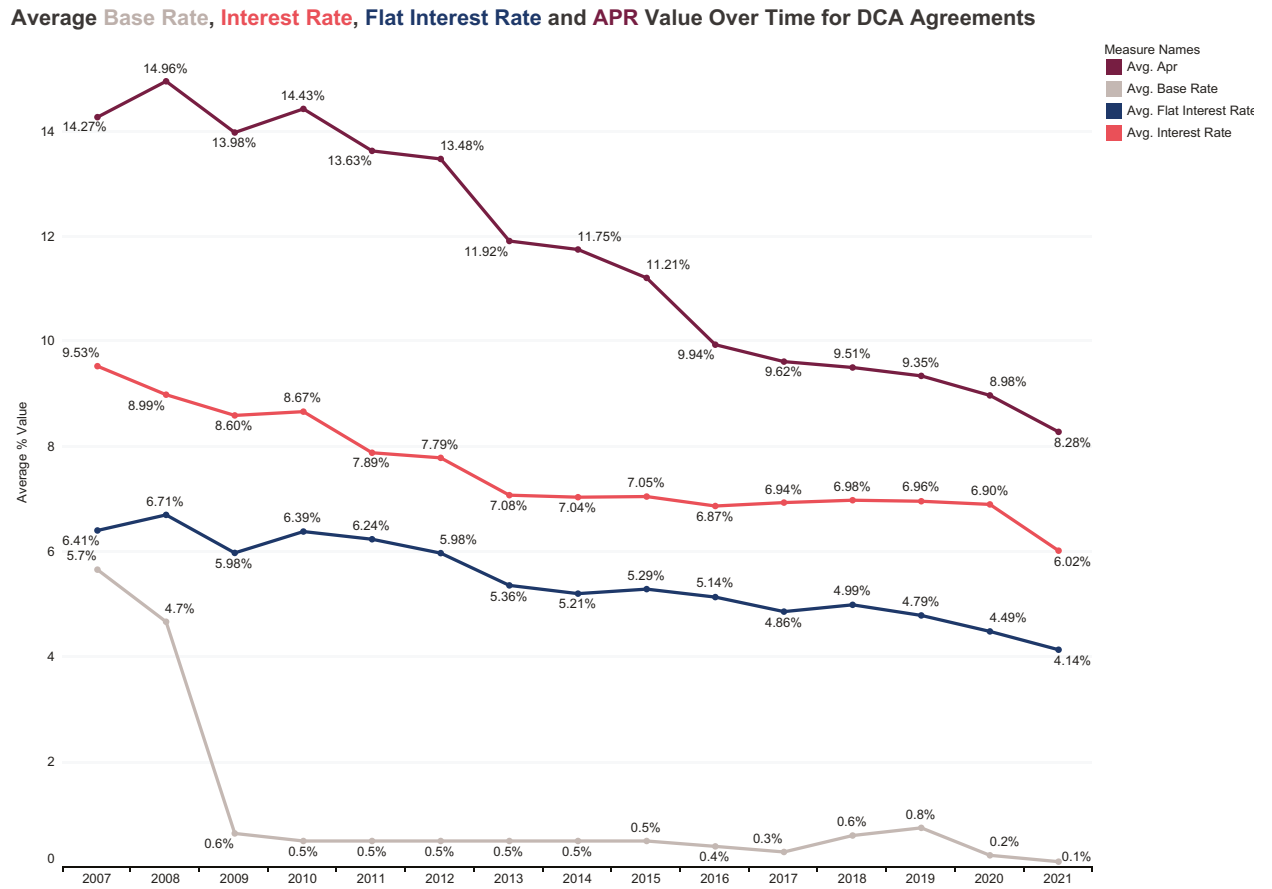


42 A flat rate refers to an interest calculation method where the interest charge is applied to the original loan amount throughout the entire loan. This means interest is calculated based on the initial principal balance, and it remains constant regardless of the amount paid or the outstanding balance. It is calculated assuming the interest charged is apportioned equally across the loan term based on the original amount borrowed

43 Otherwise known as "effective interest rate", which is an internal rate used by lenders to calculate the monthly rate of income recognition

44 Annual Percentage Rate – the total yearly cost of borrowing money expressed as a percentage. It includes the interest rate plus any mandatory fees, such as an annual fee or closing costs.

Figure 16: Average actual interest rate, flat rate, APRs and base rate values over time for DCA agreements, with base rate shown for comparison



* Agreements with Null start dates have been excluded.

** The base rate was taken from the Bank of England's website. The "Bank Rate history and data" only records data when a change occurs to the base rate. To make this data fit within the chart the data has been sampled on a daily schedule and then the average is taken for that year.

Minimum and Maximum rates

5.62 We asked for two sets of minimum and maximum rates in relation to all rates provided i.e. APRs, actual interest rates and flat rates.

- Minimum and maximum rates as set out in the lender/broker agreement (i.e. the standard rates applicable to all that broker's customers)
- Minimum and maximum rates that could apply to the specific customer transaction (in addition to the broker being able to amend the rate, a customer's credit profile may limit what rate is available to them)

Table 6: Minimum and Maximum Rates

	<i>Minimum Rate per the lender/broker agreement</i>	<i>Maximum Rate per the lender/broker agreement</i>	<i>Minimum Rate that could have been charged for this transaction</i>	<i>Maximum Rate that could have been charged for this transaction</i>
APR				
Number of agreements for which the APR min/max rates were provided	7,775	908	1,526	1,336
Average – APR rates – Mean	5.2%	14.3%	7.4%	15.2%
Average – APR rates – Median	5.9%	12.3%	5.9%	12.4%
Interest Rate				
Number of agreements for which the Actual min/max rates provided	213	215	851	808
Average – actual rates – Mean	6%	11.5%	5.2%	13.7%
Average – actual rates – Median	6%	11.3%	6%	11.7%
Flat Interest Rate				
Number of agreements for which the flat min/max rates provided	1,145	773	1,669	1,337
Average – flat rates – Mean	3.8%	9.7%	3.3%	9.6%
Average – flat rates – Median	3.9%	8%	3.5%	7.9%

* Casefiles with Null responses have been excluded from the total count.

Customer negotiation on interest rates

5.63 In 1% (26 of the 3333 casefiles) of casefiles there was evidence on file to show the customer negotiated on the interest rate. In circumstances where they did negotiate, discounts ranged from £148.34 to £4,176⁴⁵ or a discount percentage of between 0.5% to 7%.

Broker discretion in setting rates

5.64 The breadth of discretion offered to brokers was typically defined by the range of interest rates which could be offered by the broker to a customer. For example, decreasing DiC and scaled commission models included a limit on the maximum interest rate that could be charged. Some lenders used interest rate or commission caps, to set the top of the range.

45 For 11 cases the amount was not inputted

5.65 Examples of caps are as follows:

- **Interest rate caps** – these took different forms. For example, in 2013, one firm under an increasing DiC model applied a 10% rate which could be added onto the base rate and served as the maximum interest rate. Some lenders deployed APR caps, these ranged from 17.9% in 2014 for one firm to 30% for another in 2016.
- **Commission Caps** – these also varied by firm and product, and more than one cap could apply. Some examples include maximum commission as a percentage of interest charges; maximum commission as a fixed amount; maximum commission based on agreement term.

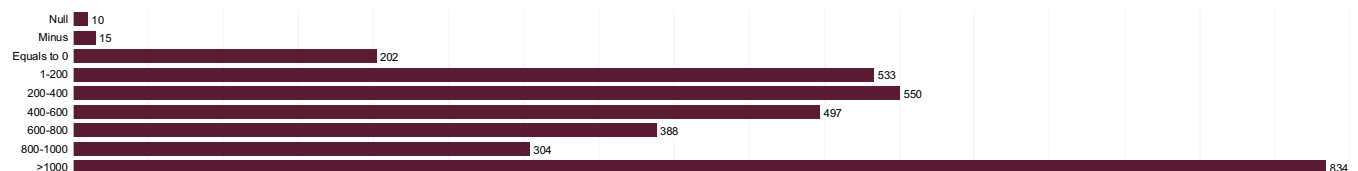
Commission values

5.66 Commission was paid by the lender to the broker in 93% of skilled person/DCA casefiles reviewed.

Total commission values

5.67 Average **total** commission was £711⁴⁶ across the s166/DCA casefile data set. The average excluding £0 and negative commission values is £763⁴⁷ This compares to £669 (including £0 agreements) or £745 (excluding £0 agreements) across the wider agreement dataset (DD1).

Figure 17a: Agreements grouped by total commission bands



5.68 Total commission value of £0 could be seen in 202 casefiles.

Discretionary commission values

5.69 Figure 17b below shows DCA agreements grouped by discretionary commission only. This is a **sub-set** of the total (figure 17a) chart above. Average⁴⁸ discretionary commission was £539⁴⁹. Excluding £0 and negative commission the average was £661.

46 Calculation includes £0 and negative commission values.

47 In both scenarios the average commission has been worked out by dividing the total commission/discretionary commission divided by the count of agreements

48 In both scenarios the average commission has been worked out by dividing the total commission/discretionary commission divided by the count of agreements

49 Calculation include £0 and negative commission values.

Figure 17b: Agreements grouped by DCA discretionary commission bands



- 5.70** The average discretionary commission in the lower band, £1-£200, was £110.40⁵⁰. The average commission in the higher band £1,000+ was £1,575⁵¹.
- 5.71** Null reflects casefiles where the lender confirmed that the broker received commission but did not have data to show the *value* of that commission. These are predominantly pre-2009 casefiles.

Commission disclosure

- 5.72** We asked the following questions regarding commission disclosure:
- Was evidence on file to show the customer was informed that commission 'may' be received by the broker.
 - Was evidence on file to show the customer was informed that commission 'may' be received by the broker and that, if it was, the customer would be told of this.
 - Was evidence on file to show the customer was informed that commission 'would' be received by the broker but not that the broker was acting under a discretionary commission arrangement.
 - Was evidence on file to show the customer was informed that commission 'would' be received by the broker and that the broker was acting under a discretionary commission arrangement.

Commission disclosure evidenced on casefiles

- 5.73** In just under 40% of the casefile population there was no evidence on the file of the customer being informed that commission would or may be paid to the broker (see table 9 below for a breakdown by year).

⁵⁰ Average (mean) discretionary commission value is calculated as the total discretionary commission divided by the number of casefiles.

⁵¹ Average (mean) discretionary commission value is calculated as the total discretionary commission divided by the number of casefiles.

Table 7: Total disclosure or non-disclosure evidenced across all casefiles

	Number of casefiles	% of casefiles
NULL	7	0%
No disclosure evidenced on file		
'No' across all four CAF questions	1,338	40%
Disclosure evidenced on file		
'Yes' to one of the four CAF questions i.e. 'would' or 'may'	1,762	60%
Casefiles where the 'would' and 'may' questions where both answered as 'Yes'	226	

- 5.74** In 1,338 casefiles there is insufficient evidence on the casefile to determine whether the customer was told about commission arrangements.
- 5.75** For the majority of the 'Yes' casefiles there was a personalised document on file to enable the CAF to be recorded as 'Yes', but in 375 of these casefiles the outcome was recorded as 'inconclusive' in the CAF. For these cases there were **indicative** documents on file such as pre-contract documents that included a disclosure statement, but which were not personalised to the customer (for example with a signature). Lenders indicated that they were applicable to all agreements handled by the broker at the time the customer entered into the contract. Whilst the skilled person recorded them in the CAF as inconclusive we have treated these casefiles as containing evidence to show that disclosure was made.
- 5.76** Tables 8 and 9 below present a series of independent questions that all relate to the same underlying agreement. While each question is distinct—such as those framed with "would" or "may"—they are designed to capture different aspects of the same potential disclosure.
- 5.77** In cases where both a "would" and a "may" question have been answered "yes," this does not indicate multiple disclosures. Instead, it reflects different perspectives on the same disclosure event. Therefore, these responses should be counted as a **single disclosure**, and **not double-counted**. This approach ensures accurate reporting and avoids inflating the number of disclosures.

Table 8: Disclosure by individual CAF question

	A Was evidence on file to show the customer was informed that commission 'may' be received by the broker (or words to that effect e.g. "typically")	B Was evidence on file to show the customer was informed that commission 'may' be received by the broker and that, if it was, the customer would be told of this.	C Was evidence on file to show the customer was informed that commission 'would' be received by the broker but not that the broker was acting under a discretionary commission arrangement.	D Was evidence on file to show the customer was informed that commission 'would' be received by the broker and that the broker was acting under a discretionary commission arrangement.
Yes (inc inconclusive)	58% ⁵² (1,933)	0% (2) ⁵³	8.4% ⁵⁴ (281)	0% (0)
No	42% (1,393)	100% (3,323)	91.5% (3,052)	100% (3,333)

5.78 The table below sets out the number of casefiles per year and groups together Qs 7.2 and 7.3 in the CAF (the 'may' questions) and Qs 7.5 and 7.6 in the CAF (the 'would' questions) to demonstrate what disclosure was made to the customer by year.

Table 9: Disclosure of commission split by year and 'may' or 'would'

Date of agreement execution	Total count of casefiles per year	Evidence on file to show customer was informed commission <u>may</u> be paid (Yes)	<u>No</u> evidence on file that the customer was told commission <u>may</u> be paid ⁵⁵	Evidence on file to show customer was informed commission <u>would</u> be paid (Yes)	<u>No</u> evidence on file to show customer was informed commission <u>would</u> be paid ⁵⁶
2007	86	3	83	0	86
2008	154	2	152	0	154
2009	172	8	164	2	170
2010	193	12	181	1	192
2011	203	12	191	1	202
2012	206	55	151	0	206

52 In 375 casefiles (11%) the evidence was inconclusive and 7 casefiles were NULL

53 8 were NULL

54 11 casefiles were added to this total as they had been incorrectly recorded as Yes in Q7.6 account has been made for double-counting where casefiles were recorded as Yes in more than one question

55 'No' responses are the result of missing data

56 'No' responses are the result of missing data

Date of agreement execution	Total count of casefiles per year	Evidence on file to show customer was informed commission may be paid (Yes)	<u>No</u> evidence on file that the customer was told commission may be paid ⁵⁵	Evidence on file to show customer was informed commission would be paid (Yes)	<u>No</u> evidence on file to show customer was informed commission would be paid ⁵⁶
2013	231	115	116	10	221
2014	272	188	84	42	230
2015	295	208	87	52	243
2016	320	249	71	39	281
2017	306	271	35	35	271
2018	326	296	30	41	285
2019	310	287	23	32	278
2020	229	207	22	13	216
2021	21	19	2	2	19
Grand total	3,324*	1,932	1,392	270	3,054

* 7 Casefiles with Null Date of Execution plus 2 with NULL commissions have been excluded.

The bottom row will not add up to 3,333 as these refer to separate questions within the CAF.

5.79 Commission disclosure was typically identified within lenders' adequate explanation or terms and conditions documents or within the broker Initial Disclosure Document (IDD).

5.80 Examples of commission disclosure statements made to customers via lender documentation such as the adequate explanation or the terms and conditions documents:

- "A commission may be payable by us to the retailer who introduced the transaction to us"
- "Commission. We may pay a commission to the dealer or broker who introduced you to us. Please ask your dealer or broker if you would like to know how much, or if you need further information"

5.81 Examples of commission disclosure statements made by brokers, typically in the IDD:

- "We act as a credit broker sourcing credit to assist with your purchase from a carefully selected panel of lenders. Lenders may pay us a fee for these introductions"
- "We may introduce you to a limited number of finance providers/brokers and receive different levels of commission from each of them for the introductions"

Disclosure of the nature⁵⁷ of the commission arrangement

- In no casefiles was there evidence on file to show that customers were told that commission would be received by the broker **AND** that the broker was acting under a discretionary commission arrangement.
- In 8.4% of casefiles (270) customers were informed that commission would be paid to the broker but **not** that the broker was acting under a discretionary commission arrangement.

Disclosure of the amount of commission

- In no casefiles within the sample was the customer told the amount of commission.
- There was some evidence in lenders' contractual documentation (such as Lender/ Broker agreements and Sales Guides) of lenders requiring brokers to comply with CONC (post 2014) and tell customers the amount of commission paid if the customer asked (as per CONC 4.5.4R). We also saw some limited examples of training being provided to brokers, but we did not see evidence on **any** of the casefiles of customers being provided with the amount of commission payment.⁵⁸

Tied or panel relationships and disclosure of ROFR

- 5.82** The skilled person CAF asked whether there was evidence on file to show the broker was tied OR had access to a panel of lenders.

Table 10: Tied/Panel

Tied	Panel	Data not available
6.6% (220)	38.7% (1,290)	54.7% (1,823)

- 5.83** The CAF was not designed to identify casefiles akin to the *Johnson* case where the disclosure documentation showed that the customer was told that there was a panel of lenders but the contractual arrangements between the lender and the broker showed that there was a commercial tie of some nature. The CAF defined a 'tie' as the broker being contractually obliged to follow a hierarchy of lenders (in order) whereas the definition of 'panel' was the broker having free range to choose a lender dependent on relationship. The CAF did not ask a specific question about whether there was an ROFR in circumstances where brokers indicated to customers that they accessed a panel.
- 5.84** Following the UK Supreme Court judgment in August 2025 we undertook a further review of the data and documents to identify casefiles where there was an undisclosed ROFR and whether the data within the CAF underestimates this.

⁵⁷ ie the type of commission arrangement e.g. DCA (or non-DCA)

⁵⁸ Please refer to section on 'Lender oversight of brokers compliance with disclosure requirements' (paragraph 5.43) for more information.

5.85 We re-reviewed 570 agreements where the lender/broker contract was on file to determine what the contract said about the relationship between the broker and the lender and compare that to the customer facing disclosure documents, typically the broker IDD.

5.86 We identified casefiles where the lender had a ROFR. Where a ROFR was identified we reviewed the customer-facing documentation, where available, to identify whether the tie was disclosed to the customer and whether the customer had been informed that the broker had access to a panel of lenders.

5.87 We identified the following:

Table 11a: Casefiles showing ROFR

Casefiles reviewed	ROFR identified	No ROFR identified	Other contractual arrangements identified ⁵⁹	Unclear/unclear because docs missing
570	29% (164)	30% (173)	20% (114)	21% (119)

5.88 We looked at how many of the 164 cases that had ROFR were disclosed to the customer, the table below shows this information.

Table 11b: Casefiles showing ROFR by disclosure status

ROFR disclosed to customer	ROFR not disclosed to customer	ROFR casefiles where documents missing so unable to determine whether disclosed
10% (16)	47% (77)	43% (71)

5.89 The above table suggests that out of a total of 570 casefiles reviewed 77 or 13.5% indicated an undisclosed ROFR. We have used this percentage to estimate the number of undisclosed ROFR in the total agreement population.

5.90 We identified arrangements with ROFR across all years and across all but one of the s166 lenders. For some lenders more than 30% of the casefiles reviewed had evidence of ROFR. With only one exception all the lenders where ROFR was evidenced had casefiles with **undisclosed** ROFR arrangements.

5.91 There are limitations to this dataset as it was a limited sample size covering a 14 year period and it was not possible to determine disclosure in 43% of casefiles.

⁵⁹ We also identified casefiles where there were other contractual arrangements set out in the lender/broker documents, typically some sort of volume target.

Chapter 6

Our work on non-DCAs

- 6.1** This chapter focuses on our analysis of the non-DCA casefile review of individual customer agreements. As with chapter 5, this chapter sets out the methodology applied for sampling the lenders and the size of the casefile sample, as well as the QA process undertaken to ensure CAFs completed by the lenders were accurate. It sets out our analysis of the data and covers key data points such as interest rates, commission values, and relationships between lenders and brokers including right of first refusal. This chapter also sets out the findings of a review undertaken post the CoA judgement, looking at both lender and broker disclosure documentation.

Background

- 6.2** The October 2024 CoA judgment increased the risk of a broader set of casefiles (non-DCAs) being the subject of complaints and therefore we extended the scope of our review accordingly.

Methodology

- 6.3** We sought and followed the advice from the independent statistician on what would constitute a representative sample (firms and casefiles). Based on this advice we selected 36 lenders. Full details of the sampling methodology can be found in the statistician report at Annex 3.
- 6.4** The number of very small lenders included in the sample was limited (i.e. lenders with fewer than 100 outstanding agreements in June 2024) as our review highlighted that few lenders of that size paid commission to brokers across the relevant period.
- 6.5** We issued our initial agreement data request (DD1) in February 2025 (see Chapter 4, paragraph 4.2). A total of 599 casefiles were sampled⁶⁰ from the 36 lenders⁶¹.

Use of the CAF for non-DCA casefile review

- 6.6** Where possible, to try to ensure consistency, the CAF questions for the completion of the non-DCA casefile reviews were aligned with those in the DCA CAF. In order to determine the extent of casefiles that might be relevant to the CoA judgment, the non DCA CAF asked additional questions on customer consent to commission payments including when and how this was given.

60 One casefile was subsequently deleted when it was found to be a cancelled agreement with no commission paid out

61 Two lenders merged after January 2021 and were treated as separate entities for the purpose of this work

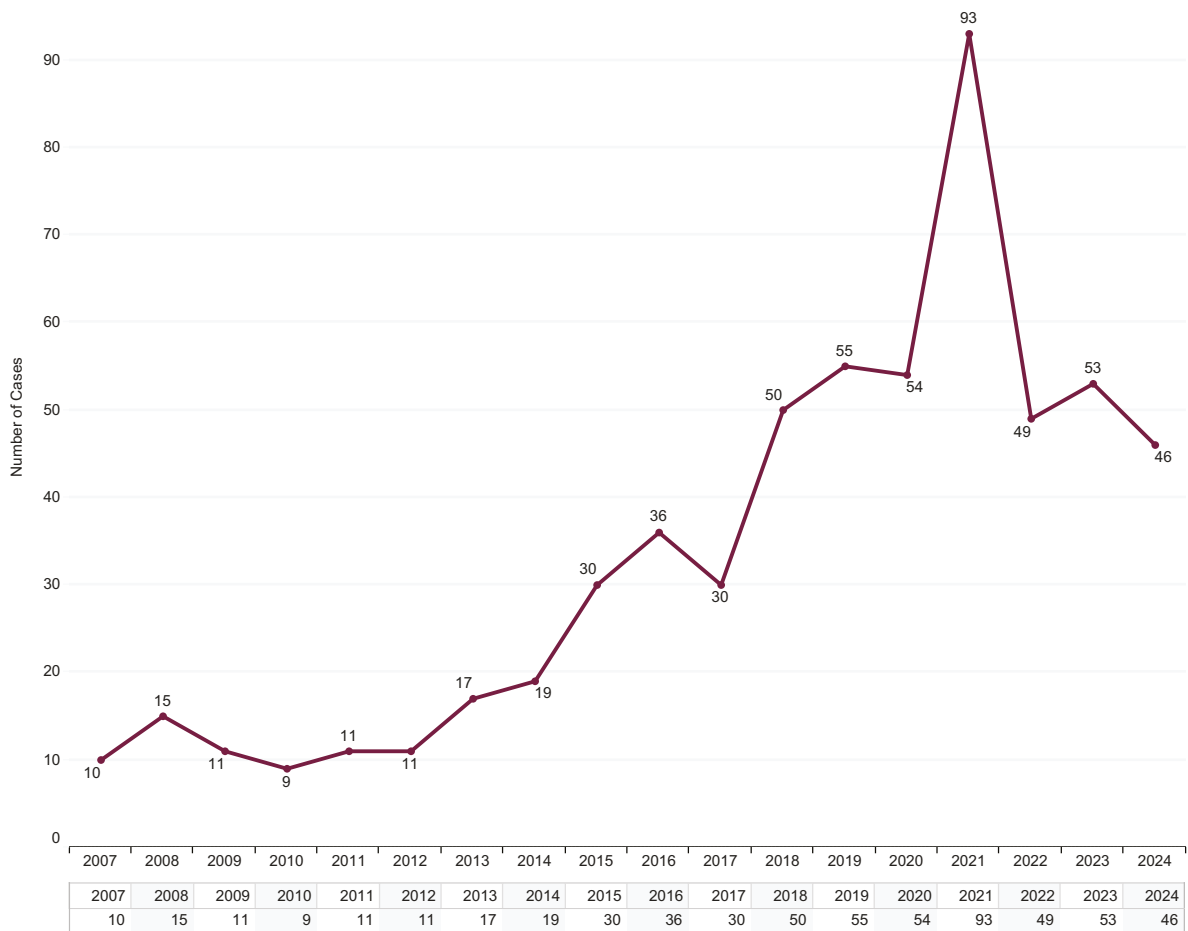
Completion of the CAF

6.7 The CAF was completed by the lenders for each of the sample files selected by us. Instructions for completion of the questions was provided to lenders.

Data gaps

6.8 The non-DCA casefile sample was randomly selected and not designed to identify an even spread of casefiles across each year of the relevant period⁶². Non-DCA casefiles were obtained across all years (see Figure 18 below), but there is a higher concentration post 2016. One outcome of this is that data gaps, which impacted observable disclosure rates across DCAs are not as widely observed across non-DCA casefiles as older data was more likely to be subject to deletion under data protection policies operated by lenders and brokers.

Figure 18: Non-DCA casefiles by year



⁶² With over 16m casefiles to select from it would have been a significant challenge to sample evenly across the relevant period

Quality Assurance

- 6.9** We undertook a QA process, randomly selecting 2 casefiles per firm (a total of 74 casefiles). For these cases lenders were asked to provide all documentation that had been used to complete the casefile reviews. This was then reviewed by the FCA against the data provided for the specific casefile. To ensure the questions relating to what, if anything, consumers were told about the payment of commission were consistently completed we reviewed the documents used by lenders to complete these questions across **all** the casefiles.
- 6.10** Feedback was provided to lenders following QA and, where applicable i.e. where a CAF had inaccurate responses, amendments were made to the data (either in individual casefiles or across all casefiles) and data re-submitted and re-checked by the FCA.

Findings from the non-DCA casefile reviews

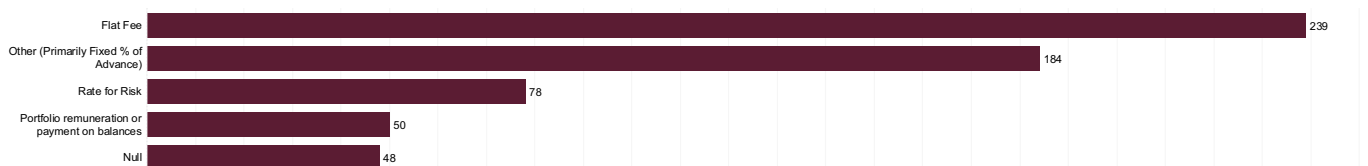
- 6.11** The following is a summary of our findings from the review of the non-DCA casefile reviews. A total of 599 casefiles were reviewed from 36 lenders.
- 6.12** The following analysis has been undertaken using the data from the non-DCA data request (DD2) only. The analysis does not take account of the DD1 agreement data set out in chapter 4 so the numbers will differ.
- 6.13** We are aware from the work undertaken by the skilled person that non-DCA models increased in usage from 2007 to 2021, with 6 of the s166 lenders having at least one non-DCA in 2007. From January 2021, following the DCA ban, only non-DCA models were operated.

Background data from the casefile reviews

Commission models

- 6.14** The most common non-DCA commission models across our sample of casefiles were:

Figure 19: Non-DCA commission models



* Agreements have been grouped into similar commission models.

Flat fee: brokers are paid a flat fee (or fixed fee) for each agreement regardless of the characteristics of the loan, e.g. amount or interest rate.

Fixed percentage of advance: Commission payable is based on a fixed percentage of net loan or balance financed.

Rate for Risk: Customers are assigned an interest tier based on the lender's assessment of their credit risk profile. Separately, a commission agreement may use the same tiers to calculate relevant commission.

Portfolio remuneration of payment on balances: Payments calculated are based on the on-going performance of the qualifying agreements that a broker has referred to the lender.

Charges included in the Total Cost of Credit

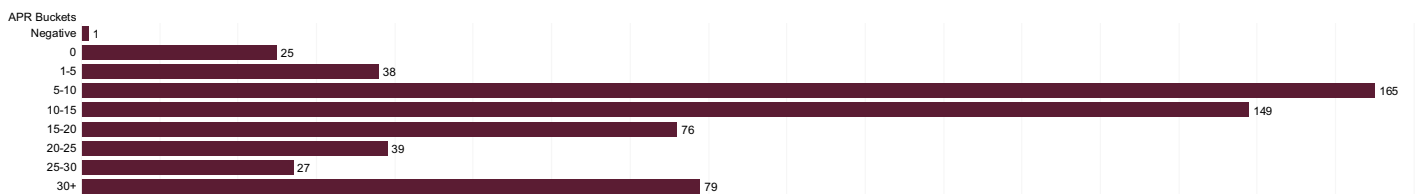
- 6.15 Interest** charges included in the total charge for credit ranged from £0 with 15 casefiles having interest greater than £10,000.
- 6.16 Non-interest** charges. The most common value was £10 but we did see charges up to £945⁶³. Whilst the CAF did not ask for details of individual charges, non-interest charges typically include items such as document fees (these were around £10), acceptance fees and credit broker fees. Non-interest charges are set out in the customer's loan agreement document.

Overview of rates

APRs

- 6.17** Rates typically fell between 5 and 15% but we did see APRs above 25%.

Figure 20: Non-DCA agreements grouped by APR bands

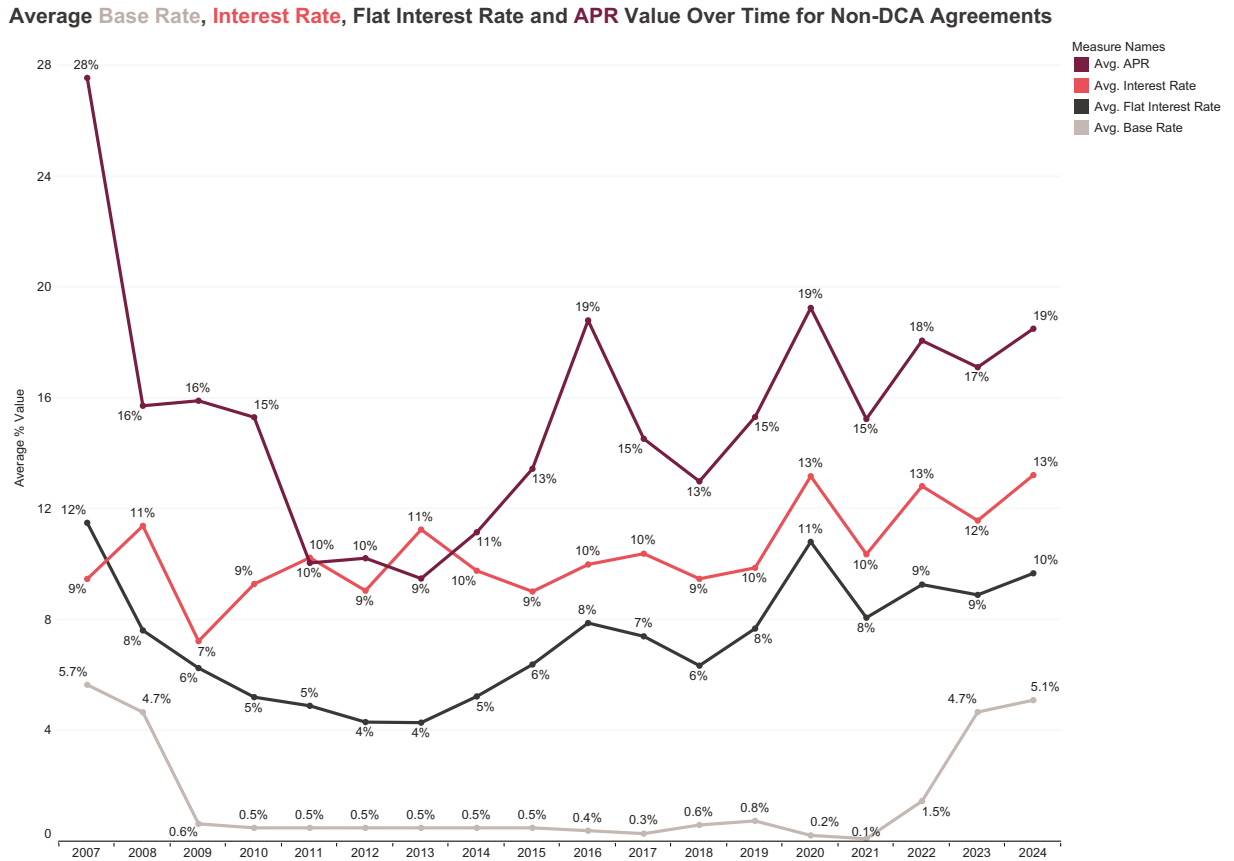


- 6.18 Actual interest rates** typically ranged between 1 and 15% (with 5-10% most common).
- 6.19 Flat rates** typically fell within 1-10% range (with 5-10% most common).

63 We don't have the breakdown of charges for the £945 casefile but likely to be a combination of acceptance fee and admin charges.

Variations in average rates across the relevant period

Figure 21: Average interest rate, Flat interest rate and APR over time



* The base rate was taken from the Bank of England's website. The "Bank Rate history and data" only records data when a change occurs to the base rate. To make this data fit within the chart the data has been sampled on a daily schedule and then the average is taken for that year.

** Note the volatility of the chart may be impacted by the low number of casefiles across some of the period. For example, we had 10 casefiles in 2007.

Commission values

6.20 In 94.32% of 599 casefiles non-DCA commission was paid by the lender to the broker.

6.21 In 2.34% (14 casefiles) a volume bonus was applicable the value ranging between £0 to £2,390.⁶⁴

Commissions paid

6.22 The commission paid ranged between £0 to £13,002 per transaction with an average commission value of £763.30⁶⁵ ⁶⁶. If the 0 and negative commissions are excluded this figure rises to £768.20.

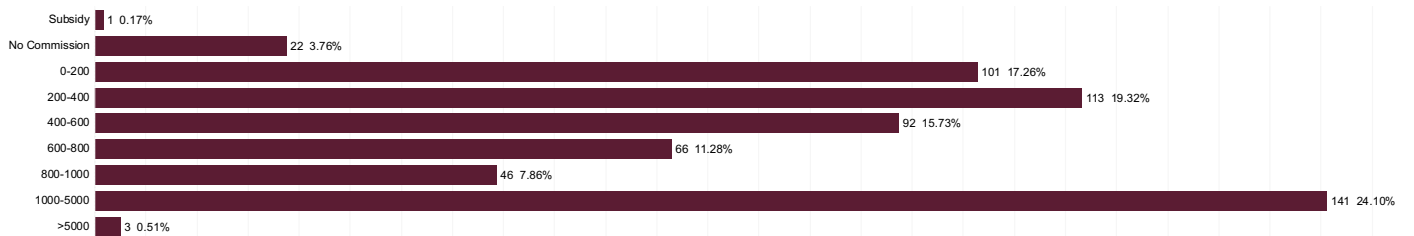
64 In the case of £0 the broker didn't receive the desired volume to achieve the bonus, but the commission arrangement was in place

65 Average (mean) commission value is calculated as the total commission divided by the number of commission (Sum of Commission ÷ Count of non-Discretionary Commission).

66 This calculation includes the 0 and negative commissions

6.23 The chart below shows that most commission paid typically fell within the range of £1,000-£5,000, followed by £200- £400.

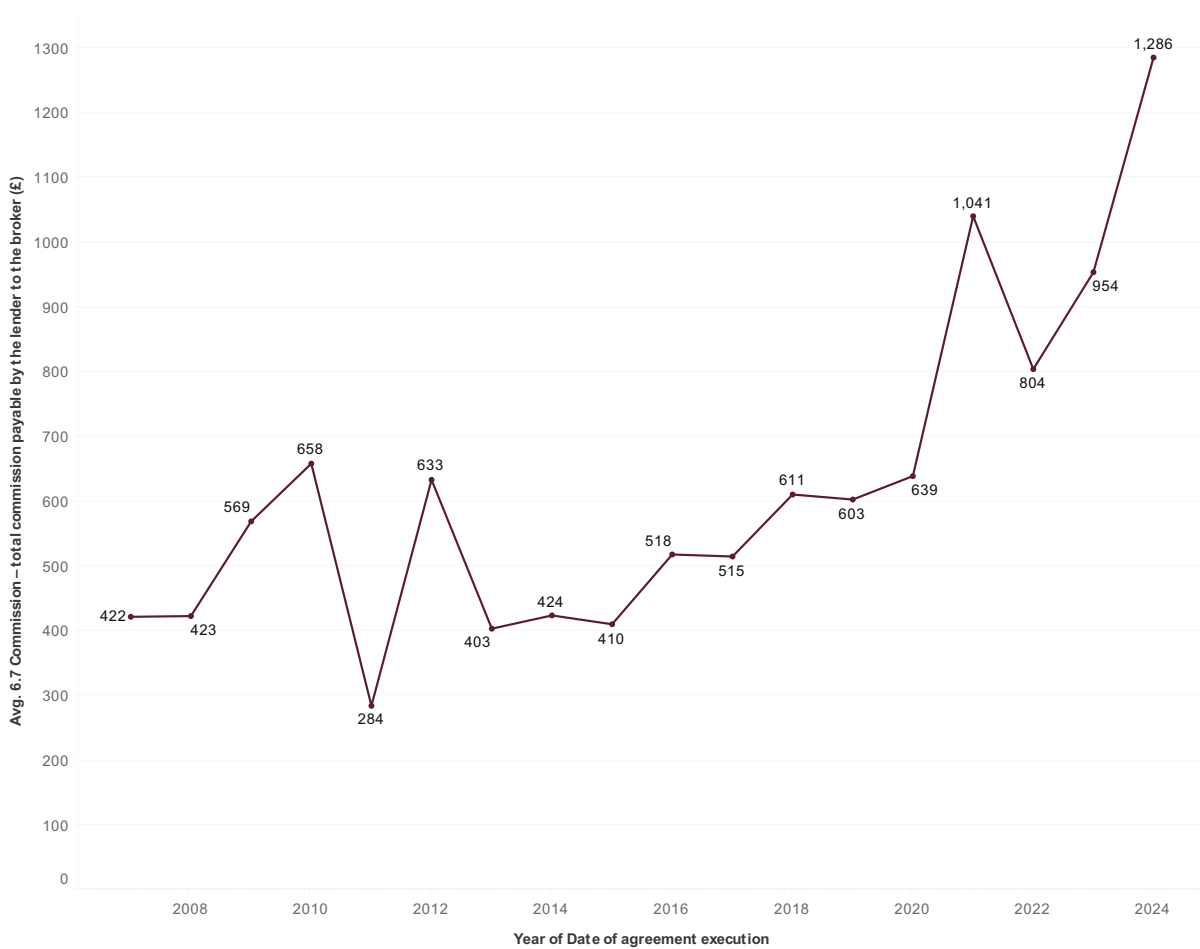
Figure 22: Non-DCA Commissions grouped by commission bands number and %



* 14 Agreements with Null commission have been excluded.

Average non-DCA commission

Figure 23: Average Non-DCA Commissions value (£) by year



* Agreements with Null commissions have been excluded.

** Agreements with £0 commissions have been included

Commission calculated as a percentage of the total charge for credit⁶⁷

6.24 On average, commission represented 36.53% (mean) of the total charge for credit. This figure has been calculated based on all casefiles reviewed but, given the sample size, is impacted by casefiles with percentages over 50%. Casefiles in these bands, which ranged from 0% to 333%, typically presented with low APRs (including 0%), hence small (£) interest in the total charge for credit plus a low or zero acceptance fee, coupled with a fixed value (£) commission. The median rate is 22.06%.

6.25 The table below shows the percentage and (number) of casefiles falling within each percentage band.

Table 12(a): Agreements grouped by % of the total charge for credit the commission represents

Band	Null	Negative	Equal to 0	0-10%	10-20%	20-35%	35-50%	50-100%	100-200%	> 200%
% of total agreements	5.3% (32)	0.2% (1)	5% (30)	17.9% (107)	21.3% (127)	23.5% (141)	15.2% (91)	7.7% (46)	2.2% (13)	1.8% (11)

* Commission as % of Total Credit > 0 and <= 10 fall under the "0-10". The "0-10" grouping methodology applies to all the bands.

Commission calculated as a percentage of the principal sum (loan value)⁶⁸

6.26 Similar calculations were undertaken in respect of the commission as a percentage of the principal sum (loan value). The average was 8.32% (mean) with a range of between -3.14%⁶⁹ and 46.67%. Most agreements fell within the ranges 1-15%. The median was 6.42%.

6.27 The table below shows the percentage and (number) of casefiles falling within each percentage band.

Table 12(b): Agreements grouped by % of the principal sum (loan value) the commission represents

Band	Null	Negative	Equal to 0	0-5	5-10	10-15	15-20	20-25	25-30	> 30
% of total agreements	3.7% (22)	0.2% (1)	2.8% (17)	34.4% (206)	29.2% (175)	15.2% (91)	9.4% (56)	0.5% (3)	1.7% (10)	3.0% (18)

67 This question was not asked in the DCA CAF as that data had been collected pre CoA judgment and was not a key consideration at that time

68 This question was not asked in the DCA CAF as that data had been collected pre CoA judgment and was not a key consideration at that time.

69 Some brokers paid subsidies to lenders (rather than receiving commission from) if the interest rate fell below the expected rate hence the minus figure

Disclosure of commission

6.28 We asked the following questions regarding non-DCA commission disclosure:

- a.** Was evidence on file to show the customer was informed that commission *would* be paid to the broker
 - If yes how and when was the customer informed?
- b.** Was evidence on file to show the customer was informed that commission *may* be paid to the broker?
 - If yes how was the customer informed?

Overall disclosure

Table 13: Evidence of disclosure on casefiles

Total casefiles 599	Casefiles where there was a NO response to both Q(a) and Q(b) above	Casefiles where Qs (a) and (b) were recorded as ' data not available '	Casefiles where there was a YES recorded in either Q(a) or Q(b)	Casefiles where there was a YES recorded to both Q(a) and Q(b)
Number* casefiles	61	60	307	161
Total	121		468	
%	20.2%		78.1%	

* 10 (0.7%) casefiles have been excluded as they do not meet the header criteria as they have responded with a no and data not available to the 'may' and 'would' question.

6.29 The following table shows the number and % of customers who were informed either that commission a) may be paid or b) would be paid each year of the relevant period based on the actual end date of the contract:

Table 14: Number and % of customers and the commission disclosure received

Date of agreement execution	Total count of casefile per year	Question 9.0 May		Question 7.2 Would		
		Evidence on file to show customer was informed commission may be paid* (Yes)	No evidence on file that the customer was told commission may be paid ⁷⁰	Evidence on file to show customer was informed commission would be paid (Yes)	No Evidence on file to show customer was informed commission would be paid ⁷¹	Data not available (relevant only to the 'would' Q)
2007	10	2	7	0	8	2
2008	15	1	6	0	7	6
2009	11	0	4	0	3	8
2010	9	0	4	0	5	4
2011	11	1	4	0	4	5
2012	11	3	2	1	3	6
2013	17	10	3	3	7	7
2014	19	12	5	2	10	6
2015	30	24	6	8	10	7
2016	36	26	9	9	21	4
2017	30	25	3	16	10	1
2018	50	39	6	18	24	6
2019	55	37	13	23	18	7
2020	54	37	10	20	21	12
2021	93	69	23	57	33	3
2022	49	26	21	31	16	2
2023	53	30	20	32	18	3
2024	46	28	17	39	6	1
Grand total	599	370	163	259	224	90

Casefiles with Null responses to the questions have been excluded.

The bottom row will not add up to 599 as these refer to separate questions within the CAF.

Disclosure of commission split by year and 'may' or 'would'

6.30 In the majority of casefiles customers were informed commission **may** be paid. Disclosure that commission would or may be paid was included in the following documents:

⁷⁰ No responses are the result of missing data

⁷¹ No responses are the result of missing data

Method of disclosure for 'may' and 'would'

Table 15: Method of Disclosure for 'may' and would' questions

	Method of disclosure for 'may' question	Method of disclosure for 'would' question
Data Not Available	0% (0)	3.0% (8)
Initial Disclosure Document	24.0% (89)	32.8% (85)
Lender terms and conditions	71.6% (265)	56.8% (147)
Verbally told by the Broker or Lender	4.3% (16)	7.3% (19)
Grand Total	370	259

* These two columns refer to separate questions within the CAF and therefore will not add up to 599.

Examples of non-DCA disclosure statements

- 6.31** As with DCA casefiles commission disclosure is typically seen within lenders' adequate explanation, terms and conditions documents or within the broker Initial Disclosure Document (IDD).
- 6.32** Typical examples of commission disclosure statements made by lenders in the adequate explanations or terms and conditions:
- *"We may pay commission to a supplying retailer or other intermediary who introduces a customer to us"*
- 6.33** Typical examples of commission disclosure statements made by brokers in the Initial Disclosure Document (IDD):
- *"We may receive a payment or other benefits from the finance provider if you decide to enter into an agreement with them"*
 - *"We receive a fixed rate of commission from the finance provider"*
 - *"Different lenders may pay us different commission. This is normally either a fixed fee or a fixed percentage of the amount you borrow"*

Disclosure of the nature, amount, basis of commission and customer consent

- 6.34** We also asked whether the following was disclosed to customers:
- the nature of the commission arrangement
 - amount of commission
 - the basis on which commission was calculated
 - consent to the payment of commission

Table 16: Disclosure of the nature, amount, basis of calculation and customer consent to commission:

	Nature of commission arrangement	Amount of commission	Basis on which commission is calculated	Consent to the payment of commission
% of customers who were told	22.9% (137)	4.3% (26)	14.4% (86)	18.2% (109)
% customers who were not told	54.8% (328)	78.6% (471)	65.8% (394)	62.8% (376)
% Data not available	22.4% (134)	17.0% (102)	19.97% (119)	19.03% (114)

- 6.35** An example of a statement disclosing the **nature of the commission** arrangement within a broker IDD is: "*the commission is a flat fee amount that will be the same no matter how much the customer borrows or the interest rate they pay*". Customers were most likely to be informed via the broker's IDD (43.8%) and within the lender's terms and conditions document (54%) (including a distinct commission disclosure document).
- 6.36** Where the **amount of commission** was disclosed, customers were told predominantly before the agreement was executed and mainly within the broker's IDD. Disclosure of the amount was seen in the more recent casefiles (17 casefiles post 2021) and 9 casefiles between 2017 and 2020 showed the amount. No casefiles pre-2017 contained evidence of the amount of commission being disclosed to customers.
- 6.37** An example statement where a customer was informed of **the basis on which commission was calculated** is as follows: a broker IDD stated, "*the commission we receive is calculated either as a percentage of the advance or as a fixed fee...*" Customers were most frequently informed via the lender's terms and conditions or the broker's IDD. All casefiles where this was provided were post 2017 with the majority (76 casefiles) between 2021 and 2024.
- 6.38** Where the casefiles evidence customer consent, it was primarily made in writing and they were all post 2013, with the majority post 2017 (96).

Changes to commission disclosure since the October 2024 CoA judgment

- 6.39** Following the CoA judgment in October 2024 we engaged with 26 lenders and 8 brokers to understand what changes had been made to their commission disclosure process and requested copies of disclosure documents. Many firms had implemented interim changes immediately following the judgment, with further changes proposed. All the lenders and brokers we spoke to had made changes to their processes and documentation to address the outcome of the CoA judgment and overall, we saw a different approach to commission disclosure from that seen in both the DCA and non-DCA reviews.

Lenders

- 19 of the 26 lenders (73%) had developed a standalone commission disclosure document, typically one page in length and using simple language. Some had incorporated this into their e-signature customer journeys.
- All commission disclosure documents contained the value (£) of the commission, personalised to the customer, and most included the method of calculation as well as details of the commission model. For example, "*The commission we will pay to the credit broker is a flat fee amount. This means the commission will be the same no matter how much you borrow or the interest rate that you pay*".
- A small number of lenders chose to include a section within the adequate explanations or agreements documents rather than a standalone document. One lender amended their call script to incorporate disclosure of commission including the amount and method of calculation.
- Lenders provide the information pre-contract giving customers the opportunity to review before they sign the agreement. A small number had proposals in train to provide the information earlier, at the quote stage.

Brokers

- 6.40** Brokers took a similar approach to lenders with most developing their own standalone commission disclosure documents in addition to that provided by the lender. These documents also contain the value of the commission but, unlike the lender documents, most did not narrow down how it was calculated beyond saying "a fixed amount or a percentage of the amount borrowed". We also saw some brokers amending their IDD, providing more clarity on their credit broker services and relationship with lender/s or, where relevant, call scripts.

Follow-up engagement – March 2025

- 6.41** We followed up this engagement in March 2025 to find out if there had been any further changes. Lenders and brokers had continued with the processes adopted the previous year but had applied learnings since their implementation. For example, some had refined their disclosure documents to improve the wording, and, for many lenders, there had been a shift from manual completion of the documents to developing automated systems as a means of improving the customer journey.

Lenders' relationships with brokers and ROFR

- 6.42** We asked whether brokers had access to a panel of lenders and of these cases where a panel of lenders existed, we asked was there a right of first refusal between the broker and the lender.

Table 17: Is there evidence on file to show that the broker had access to a panel of lenders?

Yes	49.2% (295)
No	20.4% (122)
Data not available	28.5% (171)

* NULL 1.8% (11)

Table 18: (For the 295 casefiles where the broker was recorded having access to a panel of lenders) were ROFR arrangements in place?

Yes	26% (76)
No	52% (154)
Data not available	22% (65)

- 6.43** Of the 76 casefiles where a ROFR was in place the customer, the customer was told about this in 32 cases (42%), was not told in 28 casefiles (37%) with documents missing in 16 (21%).
- 6.44** Of the 295 cases where we asked was there an ROFR this was not disclosed in 28 (9.5%) of cases. If we include those where the information was missing (16) the overall total is 44 (15%). This is similar to the breach rate of 14% that we are using for estimating liabilities under the scheme that we set out in chapter 5.

Annex 1

Skilled Person and DCA case file Customer Assessment Framework (including instructions for completion)

Customer File Assessment Template		
Customer file identifier		
Date of agreement execution		
Contractual end date of agreement		
Actual end date of contract		
Year of birth of borrower		
First part of postcode		
Section 1 – Motor Finance Agreement Details		
In this section, we would like to understand the type of motor finance agreement, the term of the agreement and the outcome of the agreement		
1.1a	Name of motor finance firm	
1.1b	Trading name of motor finance lender (if applicable)	
1.2	FRN	
1.3	Vehicle Make	
1.4	Vehicle Model	
1.5	Type of motor finance contract. Please select from the drop down list.	
1.6	Term of loan	
1.7	If the contract was a PCP, please state the GMFV recorded at the contract start.	£
1.8	Outcome of the agreement	
1.9	Did the contract end before its contractual end date? If yes, complete section 10.	
Section 2 – Motor Finance Agreement Values		
In this section, we would like to understand the values involved in the customer transaction.		
2.1	New Or Used Car	
2.2	Cash price of the vehicle (£)	£
2.3	Deposit paid by the customer (£)	£
2.3a	Deposit contribution by the manufacturer (£)	£
2.3b	Deposit contribution by the lender (£)	£

2.4a	Discounts received by the customer (£) – applied by the manufacturer	£
2.4b	Discounts received by the customer (£) – applied by the broker	£
2.5	Trade in value, if appropriate (£)	£
2.6	Part exchange – settlement figure (£)	£
2.7	Differential between the trade in value and the settlement figure (£)	£
2.8	Purchase price of vehicle (£)	£
2.9	Total credit value (£)	£
2.10	Non interest charges included in total charge for credit (£)	£
2.11	Interest charges included in total charge for credit (£)	£

Section 3 – APR %

In this section, we would like to understand the range of APR % that was available to the customer and the reason that the APR % was selected.

3.1	APR % of agreement (%)	%
3.2	Lenders advertised APR %, if known.	%
3.2a	Brokers advertised APR %, if known.	%
3.3	Minimum APR as per lender/broker agreement (%)	%
3.4	Maximum APR as per lender/broker agreement (%)	%
3.5	Minimum APR that could have been charged for the transaction (%)	%
3.6	Maximum APR that could have been charged for the transaction (%)	%

Section 4 – Actual interest rate %

In this section, we would like to understand the actual interest rate of the motor finance agreement and the range available to the customer.

4.1	Interest rate charged, as per agreement.	%
4.2	Minimum interest rate as per lender/broker agreement (%)	%
4.3	Maximum interest rate as per lender/broker agreement (%)	%
4.4	Is there any evidence on file to explain why or how the interest rate was chosen?	
4.5	If yes, please provide a summary of how the interest rate was selected.	[text]
4.6	Minimum interest rate that could have been charged for this transaction (%)	%
4.7	Maximum interest rate that could have been charged for this transaction (%)	%

Section 5 – Flat interest rate %

In this section, we would like to understand the flat rate of the motor finance agreement.

5.1	Flat interest rate charged. This will require to be calculated (%)	0%
5.2	Minimum flat interest rate as per lender/broker agreement (%)	%
5.3	Maximum flat interest rate as per lender/broker agreement (%)	%
5.4	Is there any evidence on file indicating that the broker adjusted the rate in order to increase the commission payment in response to additional specific work undertaken for the borrower for the transaction? If yes, complete 5.5	
5.5	If yes was selected for 5.4 then provide further details on the additional work that was undertaken and the adjustment made.	[text]
5.6	Minimum flat interest rate that could have been charged for the transaction (%)	%
5.7	Maximum flat interest rate that could have been charged for the transaction (%)	%

Section 6 – Commission Payment Details

In this section we would like to understand the commission model that was in place for the agreement and the values involved.

6.1	Name of the Broker	[text]
6.2	Broker FRN	[FRN number]
6.3	Name of the Secondary Broker (if applicable)	[text]
6.4	Secondary Broker FRN (if applicable)	[FRN number]
6.5	Broker fee paid by the customer to the broker (£). If no fee paid then enter £0.	£
6.6	Was a commission payment paid by the lender to the broker? If yes, please complete 6.7	
6.7	Commission – total commission payable by the lender to the broker (£)	£
6.8	Details of the commission model/s. Please select yes or no for 6.8a to 6.8d.	
6.8a	Increasing Difference in Charge	
6.8b	Decreasing Difference in Charge	
6.8c	Scaled	
6.8d	Other. If yes, complete 6.8e	
6.8e	Please provide details of the commission model.	[text]
6.9	What was the minimum discretionary commission payment as per lender/broker agreement?	£

6.10	What was the maximum discretionary commission payment as per lender/broker agreement?	£
6.11	Was the commission payment split out?	
6.12	What amount of the total commission was made up of the discretionary commission element (£)? Please complete in all cases with a discretionary commission element.	£
6.13	What was the minimum discretionary commission payment that could have been payable to the broker for this specific transaction?	£
6.14	What was the maximum discretionary commission payment that could have been payable to the broker for this specific transaction?	£

Section 7. Pre contract information and commission disclosure

In this section we would like to understand to what extent details of the commission payment was disclosed to the customer, if at all.

7.1	Was evidence on file to show the customer was provided with details on the amount of commission payment.	
7.2	Was evidence on file to show the customer was informed that commission 'may' be received by the broker.	Yes
7.3	Was evidence on file to show the customer was informed that commission 'may' be received by the broker and that, if it was, the customer would be told of this.	Yes
7.4	If 7.3 is selected and commission was received, is there evidence that the customer was subsequently informed?	
7.5	Was evidence on file to show the customer was informed that commission 'would' be received by the broker but not that the broker was acting under a discretionary commission arrangement.	
7.6	Was evidence on file to show the customer was informed that commission 'would' be received by the broker and that the broker was acting under a discretionary commission arrangement.	
7.7	Please provide any relevant further details relating to the disclosure of commission information to customers.	[text]

Section 8. The effect of the commission on the transaction

In this section we would like to understand if there is any evidence to suggest that the customer potentially paid (or did not pay) more than they should have done as a result of a discretionary element of commission.

8.1	Is there evidence that the broker earned non-commission revenues on the transaction?	
8.1a	If yes was selected for 8.1, provide details of the revenue.	[text]
8.2	Total revenue for the broker from non-commission elements of the transaction (£)	£

8.3	Is there any evidence on file that the borrower was refused credit elsewhere prior to this transaction?	[text]
8.3a	If available, what was the credit reference agency credit score of the borrower at the time of the agreement?	
8.3b	If available, which credit reference agency did you use to obtain the credit score?	
8.3c	If available, what was the internal credit score of the borrower at the time of the agreement?	
8.4	Is there any evidence (specific to this transaction, not in general) that the price of the car or other elements of the deal were adjusted specifically for this sale? If Y, please complete 8.5	
8.5	Please summarise the nature of any adjustments.	[text]
8.6	Is there any evidence on file that that the customer negotiated on the interest rate? If yes, complete 8.7.	
8.7	If yes was selected for 8.6, enter the discount (£)	£
8.8	If yes was selected for 8.6, enter the discount (%)	%
8.9	Please provide details if the interest rate was reduced by the broker and what the circumstances were that led to this reduction.	[text]

Section 9. The service offered

In this section we would like to understand on what basis the broker was acting. This will involve a review of the pre-contractual documentation.

9.1	Was evidence on file to show the sale was conducted on an 'advised' or 'non-advised' basis	
9.2	Was evidence on file to show the broker was tied or did it have access to a panel of lenders?	
9.3	Is there evidence on file to show, that it is expressly stated in the information provided to the borrower that no advice is being given by the broker?	
9.4	Is there evidence on file of any potential representation (express or implied) made to the customer in relation to the quality of lenders that the broker works with?	selected
9.5	If yes, provide details.	[text]
9.6	Is there evidence on file that the broker would narrow down or select particular loans from the range available based on the customer's circumstances or preferences?	
9.7	If yes, provide details.	[text]
9.8	Is there evidence on file of any potential representation (express or implied) made to the customer in relation to the competitiveness or value of the deals offered?	
9.9	If yes, provide details.	[text]

9.10	Is there any other information on file potentially relevant to the level of service provided by the broker to the customer? If yes please complete 9.11	
9.11	If yes, provide details.	[text]
9.12	Is there any evidence on file that the customer demonstrated any characteristics of vulnerability? If so, please complete 9.13.	
9.13	Is there any evidence on file that any adjustments were made to the service provided as a result of potential vulnerabilities?	[text]

Section 10. Effect of the contract ending before the contractual end date.

Complete this section if early termination was selected for question 1.9

10.1	If the contract ended before the contractual end date, is there evidence on file of any clawback provisions in respect of commissions? If Yes, please complete 10.2	
10.2	Provide details of clawback provisions and effects on the commission payment.	[text]
10.3	If the contract ended before the contractual end date, is there evidence on file of any impact of this on the lender's profit? If Yes, please complete 10.4.	
10.4	Provide details of effect on the lender's profit.	[text]

Section 11. Other information

Please provide any further relevant information relating to the customer file.	[text]
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Instructions for completion – General

The customer assessment framework should be completed from a representative sample of files from the period 2007-2021 where a discretionary commission arrangement was used. A discretionary commission payment is classed as being linked to the rate that the customer pays and which the broker has the power to set or adjust.

All blue shaded cells in the 'customer assessment template' tab should be completed from the information held by the firm.

Section 1 – Motor Finance Agreement Details

1.1a	Enter name of motor finance firm
1.1b	Enter trading name of motor finance lender
1.2	Enter FCA Firm Reference Number for the motor finance lender
1.3	Enter the Vehicle Make
1.4	Enter the Vehicle Model
1.5	Select the appropriate product, from the options listed.
1.6	Enter the original term of the loan (months).

1.7	<i>Enter the Guaranteed (Minimum) Market Value (£) at the start of the contract. The guaranteed (Minimum) Future Value is the minimum value that the finance company guarantees in relation to the car at the end of the agreement. This is relevant in relation to a PCP agreement and is calculated based on the term of the agreement and total mileage. Only figures that have been calculated as the GMFV should be recorded in this field, not sums reflecting what is still owed under the agreement.</i>
1.8	<i>Select the outcome of the agreement, using the drop down menu.</i>
1.9	<i>Select 'yes' or 'no' from the drop down list.</i>

Section 2 – Motor Finance Agreement Values

2.2	<i>Enter whether the car is a new model or used model</i>
2.2	<i>Enter the cash (advertised) price of the vehicle (£). Gross price, does not include delivery costs or other charges. Also known 'windscreen' price.</i>
2.3	<i>Enter the deposit paid by the customer (£).</i>
2.3a	<i>Enter the deposit paid by the manufacturer, if appropriate (£).</i>
2.3b	<i>Enter the deposit paid by the lender, if appropriate (£).</i>
2.4a	<i>Discounts received by the customer (£) – applied by the manufacturer.</i>
2.4b	<i>Discounts received by the customer (£) – applied by the broker.</i>
2.5	<i>Enter the trade in value that was applied to the transaction, if applicable (£). If the trade in value was inflated due to credit being provided to the customer then please provide details of this.</i>
2.6	<i>Enter the part exchange value that was applied to the transaction, if applicable (£). If the part exchange value was inflated due to credit being provided to the customer then please provide details of this.</i>
2.7	<i>Enter the figure of any differential between the trade in value and the settlement figure, if appropriate.</i>
2.8	<i>Enter the purchase price of the vehicle, this includes all other add-ons and delivery costs, and is net of any deductions e.g. deposit contributions</i>
2.9	<i>Enter the total credit value of the loan.</i>
2.10	<i>Enter non interest charges included in total charge for credit e.g. fees and charges paid by the customer upfront or at the end of the agreement for which no interest is payable.</i>
2.11	<i>Enter interest charges included in total charge for credit e.g. interest payable, this could also include fees and charges added to the loan balance and not paid upfront</i>

Section 3 – APR %

3.1	<i>Enter the APR% of the agreement.</i>
3.2	<i>Enter the Lenders advertised APR% if known.</i>
3.2a	<i>Enter the Brokers advertised APR% if known.</i>
3.3	<i>Enter the minimum APR that could have been charged for this transaction, as provided in lender/broker agreement or through additional unstructured data provided (record in notes where evidence was used that was not the broker/lender agreement).</i>
3.4	<i>Enter the minimum APR that could have been charged for this transaction, as provided in lender/broker agreement or through additional unstructured data provided (record in notes where evidence was used that was not the broker/lender agreement).</i>

3.5	<i>Enter the minimum APR that could have been charged for this transaction, (%), as per structured data only.</i>
3.6	<i>Enter the maximum APR that could have been charged for this transaction, (%), as per structured data only.</i>

Section 4 – Actual interest rate %

4.1	<i>Enter the actual interest rate, referred to in the credit agreement.</i>
4.2	<i>Enter the minimum actual interest rate that could have been charged for this transaction, as provided in lender/broker agreement or through additional unstructured data provided (record in notes where evidence was used that was not the broker/lender agreement).</i>
4.3	<i>Enter the maximum actual interest rate that could have been charged for this transaction, as provided in lender/broker agreement or through additional unstructured data provided (record in notes where evidence was used that was not the broker/lender agreement).</i>
4.4	<i>Select 'yes' or 'no' from the drop down list.</i>
4.5	<i>Provide a high level summary of how the actual interest rate has been selected.</i>
4.6	<i>Enter the minimum actual interest rate that could have been charged for the transaction (%), as per structured data only.</i>
4.7	<i>Enter the maximum actual interest rate that could have been charged for the transaction (%), as per structured data only.</i>

Section 5 – Flat interest rate %

5.1	<i>The flat rate assumes that the total interest charged is apportioned equally across the loan term based on the original amount borrowed. Calculate this figure by dividing the annual interest charged by the total amount of credit, on a flat line basis.</i>
5.2	<i>Enter the minimum flat interest rate that could have been charged for this transaction, as provided in lender/broker agreement or through additional unstructured data provided (record in notes where evidence was used that was not the broker/lender agreement).</i>
5.3	<i>Enter the maximum flat interest rate that could have been charged for this transaction, as provided in lender/broker agreement or through additional unstructured data provided (record in notes where evidence was used that was not the broker/lender agreement).</i>
5.4	<i>Select 'yes' or 'no' from the drop down list.</i>
5.5	<i>Provide details on the additional work that was undertaken and the resultant adjustment that was made.</i>
5.6	<i>Enter the minimum flat interest rate that could have been charged for the transaction (%), as per structured data only.</i>
5.7	<i>Enter the maximum flat interest rate that could have been charged for the transaction (%), as per structured data only.</i>

Section 6 – Commission Payment Details

6.1	<i>Enter the trading name of the broker.</i>
6.2	<i>Enter the FRN of the broker.</i>
6.3	<i>Enter the trading name of the secondary broker. Please enter N/A if not applicable</i>
6.4	<i>Enter the FRN of the secondary broker. Please enter N/A if not applicable</i>
6.5	<i>Enter the monetary amount. If no fee was paid then enter £0.</i>
6.6	<i>Select 'yes' or 'no' from the drop down list.</i>

6.7	<i>If 'yes' has been selected for 6.6 then enter the monetary amount. This should include all elements of the commission model. This includes head office/performance bonuses as well as the commission model specific to the commission type</i>
6.8	<i>If 'yes' has been selected for 6.6 then select the commission model(s) that apply from 6.6a to 6.6d.</i>
6.8a	<i>An agreement under which the lender sets a minimum rate of interest and the commission payable by the lender to the credit broker in respect of a regulated credit agreement entered into by the lender is calculated by reference to the difference between the rate of interest negotiated by the credit broker and payable by the customer under the regulated credit agreement and the minimum rate of interest. These types of arrangements are often referred to as "increasing difference in charges" or "interest rate upward adjustment" arrangements.</i>
6.8b	<i>An agreement under which the lender sets a maximum rate of interest and the commission payable by the lender to the credit broker in respect of a regulated credit agreement entered into by the lender is calculated by reference to the difference between the rate of interest negotiated by the credit broker and payable by the customer under the regulated credit agreement and the maximum rate of interest. These types of arrangements are often referred to as "decreasing difference in charges" or "interest rate downward adjustment" arrangements.</i>
6.8c	<i>An arrangement or agreement under which the commission payable by the lender to the credit broker in respect of a regulated credit agreement entered into by the lender varies (within set parameters) according to the rate of interest negotiated by the credit broker and payable by the customer under the regulated credit agreement. These types of arrangement are often referred to as "scaled models".</i>
6.8d	<i>Please enter the name of the commission model and details of how it is calculated.</i>
6.8e	<i>If 6.6d has been selected then provide a high level overview of the commission model and how it is applied.</i>
6.9	<i>Please enter the minimum discretionary commission payment as provided in lender/broker agreement or through additional unstructured data provided (record in notes where evidence was used that was not the broker/lender agreement).</i>
6.10	<i>Please enter the maximum discretionary commission payment as provided in lender/broker agreement or through additional unstructured data provided (record in notes where evidence was used that was not the broker/lender agreement).</i>
6.11	<i>Select 'yes' or 'no', or 'no evidence provided' from the drop down list.</i>
6.12	<i>Please enter the amount of commission solely related to discretionary element of the commission model. Not the Non DCA element of the commission model if it is a hybrid commission model or amounts related to 'add on commission's such head office/performance bonuses etc</i>
6.13	<i>Enter the minimum commission payment that could have been paid to the broker, as per structured data only.</i>
6.14	<i>Enter the maximum commission payment that could have been paid to the broker, as per structured data only.</i>

Section 7. Pre contract information and commission disclosure

7.1	<i>Select 'yes' or 'no' from the drop down list. Note brokers describe the way that they will receive commission in different ways and a statement that discloses the possibility of commission but falls short of confirming it would fall within 7.2.</i>
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7.2	<p>Select 'Yes' or 'no' or 'inconclusive evidence' from the drop down list. This will depend on the circumstances of the sale.</p> <p>Yes – if there are signed documents (customer and/or broker) showing a disclosure that the broker may receive commission</p> <p>No – no evidence or documents do not record that the broker may receive commission</p> <p>Inconclusive evidence – where there are documents on file that may have been or even should have been shown to the customer but no evidence to suggest they were, so it is not clear from the documents whether the customer actually received the documents (e.g. signatures)</p> <p>Note if a customer has signed a document (customer-facing or otherwise) in which it states that commission may be received by the broker, we can assume that he has read it so that is sufficient evidence to record 'Yes'.</p>
7.3	<p>Select 'Yes' or 'no' or 'inconclusive evidence' from the drop down list.</p> <p>Yes – if there are signed documents (customer and/or broker) showing a disclosure that the broker may receive commission and that, if it was, <u>the customer would be subsequently told of this</u>.</p> <p>No – no evidence, or documents do not record that the broker may receive commission</p> <p>Inconclusive evidence – where there are documents on file that may have been or even should have been shown to the customer but no evidence to suggest they were, so it is not clear from the documents whether the customer actually received the documents (e.g. signatures)</p> <p>Note if a customer has signed a document (customer-facing or otherwise) in which it states that commission may be received by the broker, we can assume that he has read it so that is sufficient evidence to record 'Yes'.</p>
7.4	<p>If 7.3 was selected then select 'yes' or 'no' from the drop down list.</p>
7.5	<p>A customer is to be treated as having been told the broker was acting under a discretionary commission arrangement if they were told that a) the broker had the ability to select or adjust the customer's interest rate and b) that the commission the broker received was linked to the rate selected.</p>
7.6	<p>As 7.5.</p>
7.7	<p>Please provide any relevant further details relating to the disclosure of commission information to customers. Including the amount of commission if this was disclosed to the customer</p>

Section 8. The effect of the commission on the transaction

8.1	<p>Is there evidence that the broker earned revenue on the transaction aside from the commission for arranging the finance? Select Yes or No – Examples include product add-ons such as GAP insurance and (if known) gross margin on the sale of the car.</p>
-----	---

8.1a	<i>If yes was selected for 8.1, list the sources of additional non-commission revenue for the dealer/broker. Note this relates to products/services sold at point of sale only. If the dealer made a loss on the sale of the car, please include it here and factor it into the calculation at 8.2. Examples will include</i> <ul style="list-style-type: none"> • Delivery • Floor mats, number plates, boot liners and other similar small items. • Service plans, MOT plans and extended warranties. • GAP insurance and Tyre & Wheel insurance. • Fabric and Paint protections that have been applied.
8.2	<i>Please calculate the total amount of evidenced non-commission revenue. This can be a negative figure if losses on the car sale exceeded other non-commission revenues.</i>
8.3	<i>If known from the file, provide evidence of the customer's credit worthiness and specifically, if the customer had been declined for credit elsewhere.</i>
8.3a	<i>Complete if the evidence is available on file.</i>
8.3b	<i>Complete if the evidence is available on file.</i>
8.3c	<i>Complete if the evidence is available on file.</i>
8.4	<i>Select 'yes' or 'no' from the drop down list.</i>
8.5	<i>Provide details of any adjustments and the impact on this specific transaction. This is separate to 2.4, which are generic discounts brokers applied to transactions.</i>
8.6	<i>Select 'yes' or 'no' from the drop down list.</i>
8.7	<i>Provide details of any negotiation on the agreement and the impact of this on the transaction. (£)</i>
8.8	<i>Provide details of any negotiation on the agreement and the impact of this on the transaction. Percentage discount (%)</i>
8.9	<i>Provide details of a reduction in the interest rate and the reasons for the reduction.</i>

Section 9. The service offered

9.1	<i>Select 'credit advised' or 'credit non-advised' or 'conflicting evidence within broker documents' or 'insurance or other non-credit aspects of sale advised' or 'no evidence provided' from the drop down list. Note the question relates to the broker's dealings with the customer, not the lender's.</i> <ul style="list-style-type: none"> • Credit advised- 'advised' box is ticked on document or there is wording to suggest the finance was recommended based on assessment of customers' needs • Credit non-advised- no box ticked to 'advise' and statement which states that the broker does not provide independent financial advice • Conflicting evidence within broker documents- comments such as 'we do not give financial advice' and statements suggesting recommended based on needs and circumstances • Insurance or other non-credit aspects of sale advised, such as GAP or other insurance products that is in addition to the car finance • No evidence provided- no statements or comments related to how the customer was sold any products, both finance or insurance
9.2	<i>Select 'tied' or 'panel' or 'no evidence provided' from the drop down list. Definition of 'tied' – contractually obliged to follow a hierarchy of lenders (in order). Definition of 'panel' – free range to choose lender dependent on relationship.</i>

9.3	Select 'yes' or 'no' from the drop down list.
9.4	Select 'yes', 'no' or 'selected' from the drop down list. 'Selected' should be chosen when 'selected' is stated but without reference to quality as the selection criteria. (For example, "selected based on customer service" would be categorised as yes, whereas "finance provided by a lender selected from our panel" would be categorised as selected). Details of the statement should be captured in the Reviewer Notes section.
9.5	If yes was selected for 9.4, provide further details.
9.6	Select 'yes' or 'no' from the drop down list.
9.7	If yes was selected for 9.6, provide further details.
9.8	Select 'yes' or 'no' from the drop down list.
9.9	If yes was selected for 9.8, provide further details.
9.10	Select 'yes' or 'no' from the drop down list.
9.11	<p>It is not necessary to determine whether the information suggests a borrower would or would not consider that a broker was acting on their behalf, but to describe any information that may be relevant to that question (such as amending the terms of the deal to increase the customer's chances of being accepted for credit).</p> <p>Any information that suggests that the broker went beyond a bare referral to motor finance providers should be included (such as inflating the trade in value of the car traded in to assist the customer in securing finance or other methods of restructuring to assist the customer in securing finance). These are example of the broker going above and beyond what would normally be expected of a credit intermediary.</p>
9.12	Select 'yes' or 'no' from the drop down list. By "signs of vulnerability", the Skilled Person should look for any evidence on file that the customer had personal characteristics that may have made it more difficult for them (compared to an average consumer) to negotiate when discussing finance or to understand pre-contract disclosures.
9.13	If 'yes' has been selected for question 9.12 then provide details of any evidence on file that suggest that adjustments were made to the transaction as a result of any vulnerable characteristics.

Section 10.

10.1	Select 'yes' or 'no' from the drop down list.
10.2	Provide details of clawback provisions and effects on the commission payment.
10.3	Select 'yes' or 'no' from the drop down list.
10.4	State the effect of the early termination of the motor finance agreement on the lender's profit, including the monetary impact (£)

Section 11. Other information

If further information is identified that the Skilled Person considers relevant to the finance or service provided to the customer but is not fully captured by the questions above, please summarise it here.

Annex 2

Non-DCA CAF (including instructions for completion)

Customer Assessment Framework (CAF) Template		
Customer file identifier		
Date of agreement execution		
Contractual end date of agreement		
Actual end date of contract		
Section 1 – Motor Finance Agreement Details		
In this section, we would like to understand the type of motor finance agreement, the term of the agreement and the outcome of the agreement		
1.1a	Name of motor finance firm	
1.1b	Trading name of motor finance lender (if applicable)	
1.2	FRN	
1.6	Term of loan	
1.7	GMFV (if applicable)	
Section 2 – Motor Finance Agreement Values		
In this section, we would like to understand the values involved in the customer transaction.		
2.8	Purchase price of vehicle (£)	£
2.9	Total credit value (£)	£
2.10	Non interest charges included in total charge for credit (£)	£
2.11	Interest charges included in total charge for credit (£)	£
Section 3 – APR %		
In this section, we would like to understand the APR % that was available to the customer		
3.1	APR % of agreement (%)	%
Section 4 – Actual interest rate %		
In this section, we would like to understand the actual interest rate of the motor finance agreement		
4.1	Interest rate charged, as per agreement.	%
Section 5 – Flat interest rate %		
In this section, we would like to understand the flat rate of the motor finance agreement.		
5.1	Flat interest rate charged. This will require to be calculated (%)	0%

Section 6 – Commission Payment Details

In this section we would like to understand the commission model that was in place for the agreement and the values involved.

6.1	Name of the Broker	[text]
6.6	Is there evidence on file that a commission payment was paid by the lender to the broker? If yes, please complete remaining questions	Yes/No/data not available
6.7	Commission – total commission payable by the lender to the broker (£)	£
6.7a	Commission – was there additional commission paid to the broker, for example to Head Office?	Yes/No/data not available
6.8	What % of the total charge for credit was made up of commission?	%
6.9	What % of the principal sum advanced does the commission represent?	%
6.10	Type of commission model	Profit sharing Flat fee commission Portfolio remuneration or payment on balances Customer Outcome remuneration Rate for Risk Other
6.11	Was a volume bonus offered (which this agreement formed part of) % bonus per agreed volume of agreements)	Yes/No/data not available
6.12	If yes to 6.11 what was the amount directly relating to this agreement?	£

Section 7. Commission disclosure

In this section we would like to understand to what extent details of the commission payment was disclosed to the customer, if at all.

7.1	Was evidence on file to show the customer was provided with details of the <u>amount</u> of commission payment.	Yes/No/data not available
7.1a	If yes to 7.1 how was the customer informed?	Within the lenders terms and conditions Within the broker's IDD Suitability document Within a distinct commission disclosure document Verbally by the broker Verbally by the lender

7.1b	If yes to 7.1 when was this information provided to the customer?	Before agreement executed At the time the agreement executed After agreement executed
7.2	Was evidence on file to show the customer was informed that commission would be paid to the broker	Yes/No/data not available
7.3	If yes to 7.2 how was the customer informed?	Within the lenders terms and conditions Within the broker's IDD Suitability document Within a distinct commission disclosure document Verbally by the broker Verbally by the lender
7.4	If yes to 7.2 when was the customer informed?	Before agreement executed At the time the agreement executed After agreement executed
7.6	Was evidence on file to show that the customer was informed of the basis on which the commission was calculated?	Yes/No/data not available
7.7	If yes to 7.6 how was the customer informed?	Within the lenders terms and conditions Within the broker's IDD Suitability document Within a distinct commission disclosure document Verbally by the broker Verbally by the lender
7.8	If yes to 7.6 when was the customer informed?	Before agreement executed At the time the agreement executed After agreement executed
7.9	Was evidence on file to show that the customer was informed of the nature of the commission arrangements?	Yes/No/data not available
7.10	If yes to 7.9 how was the customer informed?	Within the lenders terms and conditions Within the broker's IDD Suitability document Within a distinct commission disclosure document Verbally by the broker Verbally by the lender
7.11	If yes to 7.9 when was the customer informed?	Before agreement executed At the time the agreement executed After agreement executed

7.12	Was evidence on file that the consumer consented to the payment of commission?	Yes/No
7.13	If yes to 7.12 how was that request for consent made?	Verbally In writing
7.14	If yes to 7.12 when was that request for consent provided?	Before agreement executed At the time the agreement executed After agreement executed

Section 8. The service offered

In this section we would like to understand on what basis the broker was acting. This will involve a review of the pre-contractual documentation.

8.1	Is there evidence on file to show the sale was conducted on an 'advised' or 'non-advised' basis	advised/non-advised/no evidence
8.2	Is there evidence on file to show the broker was tied? If yes please answer 8.2a if no move to 8.3	Yes/No/data not available
8.2a	If the broker was tied was evidence on file to show that the customer was informed about the contractual tie?	Yes/No/data not available
8.2b	If yes to 8.2a how was the customer informed?	Within the lenders terms and conditions Within the broker's IDD Suitability document Within a distinct commission disclosure document Verbally by the broker Verbally by the lender
8.2c	If yes to 8.2a when was the customer informed?	Before agreement executed At the time the agreement executed After agreement executed
8.3	Is there evidence on file to show the broker had access to a panel of lenders?	Yes/No/data not available
8.3a	Is there evidence on file to show that the consumers would have had access to that panel of lenders?	Yes/No/data not available
8.3b	If the broker had access to a panel of lenders were first refusal arrangements in place?	Yes/No/data not available
8.3c	If there was a first refusal arrangement in place, was the customer told about this?	Yes/No/data not available
8.3d	Where there was a first refusal process in place, was the agreement concluded with the lender who had first refusal?	Yes/No/data not available

8.3e	Is there evidence on file that the broker made it clear to the borrower that the broker was receiving commission or other remuneration from the lender and could not, therefore, act impartially when recommending finance?	Yes/No/data not available
8.3f	If the answer to Q 8.3e is Yes, is there evidence on file that the broker obtained the borrowers agreement to this?	Yes/No/data not available
8.4	Is there evidence on file of any potential representation (express or implied) made to the customer in relation to the quality of lenders that the broker works with?	Yes/No/data not available
8.5	Is there evidence on file that the broker would narrow down or select particular loans from the range available based on the customer's circumstances or preferences?	Yes/No/data not available
8.6	Is there evidence on file of any potential representation (express or implied) made to the customer in relation to the competitiveness or value of the deals offered?	Yes/No/data not available
8.7	Is there evidence on file of any potential representation (express or implied) made to the customer in relation to the suitability of the deals offered?	Yes/No/data not available
9.0	Was evidence on file to show the customer was informed that commission may be paid to the broker	Yes/No/data not available
9.0a	If yes to 9.0 how was the customer informed?	<ul style="list-style-type: none"> Within the lenders terms and conditions Within the broker's IDD Suitability document Within a distinct commission disclosure document Verbally by the broker Verbally by the lender

Instructions for completion – General

The customer assessment framework should be completed from a representative sample of files from the period 2007-25 October 2024.

All blue shaded cells in the 'customer assessment template' tab should be completed from the information held by the firm (if available).

Contractual end date of agreement

Where agreements run to term or are settled early the date ended should be the last date of payment. Where a termination event occurred such as a default termination or voluntary surrender, the date of the termination event is most relevant.

Section 1 – Motor Finance Agreement Details

1.1a	Enter name of motor finance firm
1.1b	Enter trading name of motor finance lender
1.2	Enter FCA Firm Reference Number for the motor finance lender
1.6	Enter the original term of the loan (months).
1.7	Enter the Guaranteed (Minimum) Market Value (£) at the start of the contract. The guaranteed (Minimum) Future Value is the minimum value that the finance company guarantees in relation to the car at the end of the agreement. This is relevant in relation to a PCP agreement and is calculated based on the term of the agreement and total mileage. Only figures that have been calculated as the GMFV should be recorded in this field, not sums reflecting what is still owed under the agreement.

Section 2 – Motor Finance Agreement Values

2.8	Enter the purchase price of the vehicle, this includes all other add-ons and delivery costs, and is net of any deductions e.g. deposit contributions
2.9	Enter the total credit value of the loan.
2.10	Enter non interest charges included in total charge for credit e.g. fees and charges paid by the customer upfront or at the end of the agreement for which no interest is payable.
2.11	Enter interest charges included in total charge for credit e.g. interest payable, this could also include fees and charges added to the loan balance and not paid upfront

Section 3 – APR %

3.1	Enter the APR% of the agreement.
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Section 4 – Actual interest rate %

4.1	Enter the actual interest rate, referred to in the credit agreement.
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Section 5 – Flat interest rate %

5.1	The flat rate assumes that the total interest charged is apportioned equally across the loan term based on the original amount borrowed. Calculate this figure by dividing the annual interest charged by the total amount of credit, on a flat line basis.
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Section 6 – Commission Payment Details

6.1	Enter the trading name of the broker. The most up to date broker name associated with the agreement would be sufficient.
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6.6	Select 'Yes' 'no' or 'data not available' from the drop down list. If 'yes' has been selected for 6.6 then please complete the remaining questions
6.7	If 'yes' has been selected for 6.6 then enter the monetary amount. The amount provided should be the total remuneration paid to broker linked to that agreement. Note this figure should be the amount that would have been paid if the agreement went full term and performed as expected i.e. before any clawback was applied. It should include head office/ performance bonuses that can be attributed to the specific agreement and any other payment made by the lender to the broker
6.7a	Select 'Yes' 'no' or 'data not available' from the drop down list.
6.8	Enter the percentage amount
6.9	Enter the percentage amount
6.10	If 'yes' has been selected for 6.6 then select the most appropriate commission model from the drop down list. See tab "Commission descriptions" for a description of commission terms
6.11	Select 'Yes' 'no' or 'data not available' from the drop down list. Sometimes referred to as head office commission. This is either a fixed fee or proportionate fee linked to the broker meeting finance sales thresholds. May include accelerators, which raise other elements of the broker remuneration package, such as higher unit commission.
6.12	Enter the amount

Section 7. Commission disclosure

7.1	Select 'yes' 'no' from the drop down list. Yes – if there are signed documents (customer and/or broker) showing the commission amount No – documents do not demonstrate that the customer was informed the commission amount Note if a customer has signed a document (customer-facing or otherwise) which sets out the commission payment, we can assume that the customer has read it so that is sufficient evidence to record 'Yes'.
7.1a	Select the most appropriate from the drop-down list
7.1b	Select the most appropriate from the drop-down list
7.2	Select 'Yes' 'no' or 'data not available'. Note a statement that discloses the possibility of commission, for example that commission 'may' be paid, but falls short of confirming it (ie 'will/would') be paid) would be 'No' Note if a customer has signed a document (customer-facing or otherwise) in which it states that commission would be paid to the broker, we can assume that the customer has read it so that is sufficient evidence to record 'Yes'.
7.3	Select the most appropriate from the drop-down list
7.4	Select the most appropriate from the drop-down list
7.6	Select 'Yes' 'no' or 'data not available' from the drop down list. For example Fixed amount of £()/percentage % of [loan amount]=£()/details of any other calculation
7.7	Select the most appropriate from the drop-down list
7.8	Select the most appropriate from the drop-down list

7.9	Please select 'yes' or 'no' from the drop down list. By nature of the commission arrangements we mean whether the customer was told about the type of commission model being operated, for example a flat fee or percentage of balance commission
7.10	Select the most appropriate from the drop-down list
7.11	Select the most appropriate from the drop-down list
7.12	Select 'Yes' or 'No' from the drop-down list
7.13	Select the most appropriate from the drop-down list
7.14	Select the most appropriate from the drop-down list

Section 8. The service offered

8.1	<p>Select 'credit advised' or 'credit non-advised' or 'no evidence provided' from the drop down list. Note the question relates to the broker's dealings with the customer, not the lender's.</p> <ul style="list-style-type: none"> • Credit advised- 'advised' box is ticked on document or there is wording to suggest the finance was recommended based on assessment of customers' needs • Credit non-advised- no box ticked to 'advise' and statement which states that the broker does not provide independent financial advice • No evidence provided- no statements or comments related to how the customer was sold any products
8.2	Select 'Yes' 'no' or 'data not available' from the drop down list. Definition of 'tied' – contractually obliged to follow a hierarchy of lenders (in order). Definition of 'panel' – free range to choose lender dependent on relationship.
8.2a	Please select 'yes' or 'no' from the drop down list.
8.2b	Select the most appropriate from the drop-down list
8.2c	Select the most appropriate from the drop-down list
8.3	Select 'Yes' 'no' or 'data is not available' from the drop down list.
8.3a	Select 'yes' or 'no' from the drop down list. Was there evidence on file that the customer's circumstances would have enabled them to access to more than one lender
8.3b	Select 'yes' or 'no' from the drop down list. "Select 'yes' if a broker has arrangements in place/is obligated to first introduce the customer to you (the lender) for the loan and will only seek to place that business elsewhere if you (the lender) refuses the business.
8.3c	Select 'Yes' 'no' or 'data is not available' from the drop down list.
8.3d	Select 'Yes' 'no' or 'data is not available' from the drop down list.
8.3e	Select 'Yes' 'no' or 'data is not available' from the drop down list.
8.3f	Select 'Yes' 'no' or 'data is not available' from the drop down list.
8.4	Select 'Yes' 'no' or 'data is not available' from the drop down list. 'For example, "selected or carefully selected panel of lenders" would be categorised as yes, whereas "finance provided by a lender selected from our panel" would be categorised as no.
8.5	Select 'Yes' 'no' or 'data is not available' from the drop down list.
8.6	Select 'Yes' 'no' or 'data is not available' from the drop down list.
8.7	Select 'Yes' 'no' or 'data is not available' from the drop down list.
9.0	Select 'Yes' 'no' or 'data is not available' from the drop down list.
9.0a	Select the most appropriate from the drop-down list.

Annex 3

Statistician's Report – Dr Susan Purdon

Report on the sample design advice given for the Motor Finance Commission Project

Academic qualifications and expertise

1. I am a professional statistician with a PhD in Mathematics (University of Glasgow, 1990) and an MSc in Applied Statistics (Sheffield Hallam, 1994). I have worked as a statistician for over 25 years, but between 1993 and 2009 worked at the National Centre for Social Research, where I was head of the Evaluation Unit and subsequently head of the Survey Methods Unit. In the latter position I was head of the team of statisticians in the organisation. In 2009 I left NatCen to set up an independent research partnership (BPSR). I am a fellow of the Royal Statistical Society.
2. I have very considerable experience in complex sample design and analysis and have been responsible for sample design for a considerable number of surveys, trials and evaluations. Most have been studies for government, and include a number of very high-profile surveys, such as the Health Surveys for England and Scotland, the Adult Psychiatric Morbidity Survey, and the Workplace Employee Relations Survey.

Background

3. The FCA sought evidence based on a sample of firms and files that would be representative of the motor finance market and that would allow for inferences to be made across the whole of the market rather than being limited to the eleven firms that were in scope for the s166 work. I was engaged as an independent statistician to advise the FCA on an appropriate sample design and sample size.
4. I was engaged by the FCA to give advice on an appropriate sample design for two separate groups of firms:
 - a. the wider market of DCA firms outside of the 10 s166 firms⁷²; and
 - b. non-DCA firms.
5. In addition, I was asked to review the sample design proposed by the skilled person for the s166 firms.
6. This document sets out the advice that I gave, starting with the advice on the s166 firms.

72 As per footnote 61, two firms merged after January 2021 and were treated as separate entities for the purpose of this work

Review of the sample design proposed by the skilled person for the s166 firms

7. A recommendation on the sample size and design for the selection of cases from the s166 firms was made by the skilled person. I was asked to give my opinion on their recommendation. I discussed the rationale for their proposed sample size with them, and how the sample was to be distributed across the total population of files per firm. In addition, I reviewed the process for selecting the sample within each firm to confirm that the sample was a stratified random sample as intended.
8. The sample size recommended by the skilled person was larger than I originally suggested, at around 300 per firm. A sample of this size which would give 95% confidence intervals of approximately +/-6 percentage points for any statistics calculated as percentages. I initially suggested that around 100 per firm would be adequate, which would give 95% confidence intervals of approximately +/-10 percentage points. However, I agreed with the skilled person that, as well as a larger sample giving results with more precision (that is, narrower confidence intervals), a larger sample would also allow for sub-group analysis, such as analysis split by year (or groups of years) or commissioning models. Sub-group analysis from a sample of 100 per firm would be less feasible.
9. **Conclusion:** The sample design recommended by the skilled person per firm was sensible and sound. The sample size per firm was fairly large, but it was agreed that the ability to do sub-group analysis was important and that the large sample was justified.

Advice on sampling for the wider market of DCA firms outside of the 10 s166 firms.

10. For the wider market of DCA firms outside of the 10 s166 firms, I recommended a two-stage sample design of 150 files from within a stratified random sample of 30 firms. This sample would be used, in conjunction with the findings from the large sample selected from each of the s166 firms, to generate findings for the entire DCA population.
11. The data sent to me on which to base my design had 193 firms in total. Of these, nine had already been established to be out of scope, and a further 10 were to be excluded because they were assigned to the s166 group. This left 174 firms from which a random sample of firms, and files within firms, was to be selected.
12. For the 174 firms it was not known for most of them whether they operated DCAs. What was known was the number of outstanding loan agreements, and I assumed for DCA firms the number of outstanding agreements was likely to be positively correlated with the number of DCA agreements. That is, the firms with the largest number of outstanding agreements were also likely to have the largest number of DCA agreements.

- 13.** I proposed that the 174 firms in the sampling frame should be divided into six strata, based on their number of outstanding loans, the aim being to select a sample that would cover all of these strata and would give data that adequately covered the whole of the market:
- Stratum 1: Firms with $\geq 100,000$ outstanding loans. This covered 7 firms.
 - Stratum 2: Firms with between 10,000 and 99,999 outstanding loans. 18 firms.
 - Stratum 3: Firms with between 1,000 and 9,999 outstanding loans. 27 firms.
 - Stratum 4: Firms with between 100 and 999 outstanding loans. 39 firms.
 - Stratum 5: Firms with between 10 and 99 outstanding loans. 44 firms.
 - Stratum 6: Firms with between 0 and 9 outstanding loans. 39 firms.
- 14.** Within each of these strata, I suggested that a random sample of 5 firms should be selected, to give a sample of 30 firms in total, spread evenly across the strata. A sample distributed this way would allow for 'all DCA' statistics to be generated from the sample of 150, but the fact that the sample includes small as well as large firms would mean that it would be possible to test whether any issues identified were restricted to firms of particular sizes.
- 15.** It was deemed probable that on approaching some of the 30 firms selected, it would be found that they did not operate DCAs. The intention was that these firms would be set aside and replaced by another firm selected at random from within the same stratum.
- 16.** Within each of the firms selected, I recommended that the number of files to be selected should vary between 8 and 3, with 8 files being selected from the Stratum 1 firms (the largest firms), and 3 from the Stratum 6 firms. The larger sample size in the Stratum 1 firms reflects the fact that these firms are likely to dominate the market. The files per firm would be selected at random from those in scope.
- 17.** Overall, this gave a sample of 150 files. The design is set out in the table below.

Sample design for the DCA population

Stratum	Number of firms	Total number of loan agreements	Number of firms to be selected	Number of files selected per firm	Total number of files selected
1 (>100,000)	7	1,342,021	5	8	40
2 (10,000-99,999)	18	615,485	5	6	30
3 (1,000-9,999)	27	105,973	5	5	25
4 (100-999)	39	13,512	5	5	25
5 (10-99)	44	1,790	5	3	15
6 (0-9)	39	164	5	3	15
Total	174	2,078,945	30		150

- 18.** It is difficult to predict with any certainty the size of the 95% confidence intervals around statistics from a sample following this design: the confidence intervals will depend on how each statistic is distributed across the firms and strata. But, using a few assumptions, I estimated that if a percentage from the sample of 150 was found to be 50%, then the 95% confidence interval around this percentage would be approximately 37% to 63%.
- 19.** As expected, once the firms had been selected, and coupled with new data collected on all firms, it was found that a considerable percentage (around two-thirds) of the firms from which the sample was selected did not operate DCAs. The percentage was particularly high for Strata 4 to 6. Rather than select additional firms from across all strata to maintain a sample of five firms per stratum, additional firms were only selected from strata 4 to 5.
- 20.** Overall, this generated a sample of 13 firms: six firms from Stratum 1; three firms from Stratum 2; three firms from Stratum 3; one firm from Stratum 4, and one firm from Stratum 5. No eligible firms were identified in Stratum 6. The number of files selected per firm was as I proposed with the exception of one firm in Stratum 1 where just four files were selected rather than eight.
- 21.** The smaller sample was, I understand, still selected at random within each stratum, so, although smaller it still gives data that is representative of the market. As with the original design, it is difficult to predict the size of the 95% confidence interval around statistics from the final design. But, based on the final distribution of the sample by strata, coupled with the fact that the population sizes of Strata 4 to 6 are particularly small, I estimate that if a percentage from the final sample was found to be 50%, then the 95% confidence interval around this would be approximately 36% to 64%. This is only slightly wider than the estimated confidence interval for the original design of 150 files from 30 firms.
- 22.** **Conclusion:** Even though the final sample was smaller than originally recommended, the final sample size reflects the fact that the number of firms that operated DCAs was much smaller than the population from which the sample was drawn. My view is that the final sample adequately reflects the population and will give confidence intervals that are only slightly wider than expected with the original proposed design.

Advice on sampling for non-DCA firms

- 23.** For the sampling of firms and files for the non-DCA exercise, the number of in-scope firms was 139⁷³. I recommended a two stage sample design comprising a total of 600 files from within a stratified random sample of 44 firms. Because of difficulties in finding smaller in-scope firms, the final sample was reduced to 36.

⁷³ I understand that the 139 firm list was extracted using firms' lending returns from RegData mapped to data provided through the Cost of Living returns for motor finance firms (June 2023 and June 2024). Some firms were excluded by the FCA, for example if motor finance was offered only for business purposes or they were no longer authorised.

- 24.** As with the DCA sample, I recommended that the sample should be stratified by the number of agreements⁷⁴, and the sample then distributed across these strata so that all sizes of firm were included in the sample. The main features of the proposed sample design were as follows:
- All of the 10 s166 firms would be selected. To allow for this, these 10 are treated as a separate stratum (labelled Stratum 0).
 - All of the other 9 firms with more than 100,000 agreements would also be selected (Stratum 1). Between them the s166 firms and these 9 firms cover 85% of all agreements so it is appropriate to include them all.
 - For the other 5 strata (Strata 2 to 6) I recommended selecting a random sample of 5 firms from each stratum. Overall this would give a sample size of 44 firms.
- 25.** Within each of the firms selected, I proposed that the number of files to be selected should vary from 25 for the s166 firms to just 3 for Stratum 6, the smaller numbers in the later strata reflecting the fact that these strata cover only a very small percentage of the overall market.

Sample design for the non- DCA population

Stratum	Number of agreements	Number of firms	Total number of loan agreements	% of total	Number of firms to be selected	Number of files to be selected per firm	Total number of files selected
0(s166)	S166 firms	10	3,864,541	58.3	10	25	250
1	Above 100,000	9	1,781,323	26.9	9	15	135
2	10,000 – 99,999	22	877,468	13.2	5	15	75
3	1000 – 9,999	23	91,284	1.4	5	10	50
4	100 – 999	38	8,991	0.1	5	10	50
5	10 – 99	23	1,006	0.0	5	5	25
6	Up to 9	15	112	0.0	5	3	15
Total		139	6,624,725		44		600

- 26.** I recommended that the sample selected within each firm should be distributed across all of the in-scope years, 2007 to 2024, with this being done proportionately to the time-distribution for all agreements in the firm. That is, if say, 20% of the population of agreements for the firm were pre-2021, then approximately 20% of the sample for the firm would be pre-2021. This could be achieved by sorting the agreements by firm by data and then taking a 1 in n sample (from a random start) down the sorted list. Clearly, for any firm where all of the agreements are, say, post 2021 then all of the sample would be post 2021 too.

74 Based on data from either June 2023 or June 2024, as available.

27. The overall recommended sample size of 600 was large and would generate confidence intervals around estimates that are fairly narrow. Using a few simplifying assumptions about how any sample statistics are distributed across the firms and strata, I estimated that if a percentage from the sample was found to be 50%, the 95% confidence interval around this percentage would be approximately 45% to 55%. A smaller sample size could have been used, but the reasoning for setting it high was that a sample of this size would allow for the data to be split into sub-groups based on groupings of a few years and changes over time to be checked for.
28. My understanding is that the FCA selected the number of firms I recommended, with a random selection of firms per stratum. If a firm was contacted and found not to operate non-DCAs, another random selection was made, with this process being repeated until, ideally, the target number of firms from my table was reached. However it did not prove possible to reach the target numbers in Strata 5 and 6 with most selected firms being found to be out of scope. The conclusion I reach from this is that there must be few, if any, eligible firms in these two strata. The number of files selected within each firm followed my suggested numbers.
29. My view is that the smaller than intended sample, of 36 firms rather than 44, still gives data that is, within each stratum, representative of the firms within that stratum. I have discussed with the FCA teams how the data from this, and the DCA sample, can be weighted to make the 36 firms representative of the market as a whole. The lack of sample within the final two strata reflects the finding from the sampling exercise that there are very few, if any, in-scope firms in these strata, so does not introduce any significant sample bias.
30. Given that the smaller sample size almost entirely reflects the fact that there are very few eligible firms from the smaller strata, the 95% confidence intervals derived from the achieved sample should be very similar to those from the planned sample, at around +/-5 percentage points for sample percentages fairly close to 50%.
31. **Conclusion:** Even though the final sample was smaller than originally recommended, the final sample size reflects the fact that it did not prove possible to find in-scope firms for the smaller strata. My view is that the final sample adequately reflects the population and will give confidence intervals that are very similar to those that were expected with the original proposed design.

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