

Motor finance redress scheme

**Policy statement
30 March 2026**



A fair and proportionate scheme

We have listened and made changes – it's now time to bring certainty to consumers, firms and investors



Tighter eligibility

12.1m agreements eligible for compensation, down from 14.2m in consultation



Streamlined scheme

Non-redress estimated costs over 40% lower, down to £1.6bn



Fairer compensation

Estimated £7.5bn (75% take-up), down from £8.2bn (85%) at consultation



Total bill to firms £9.1bn, down from £11bn at consultation

Agreements from 2007-2024 covered



Liabilities exist back to 2007. We have the power to cover these, but questioned by some.



So implementing two schemes:
6 April 2007 – 31 March 2014
1 April 2014 – 1 November 2024



Without a scheme, it will cost firms £6bn more to resolve liabilities, £1.3bn of which pre 2014.

Tighter eligibility



Core tests for unfairness remain where people were not told about an agreement involving:

- A discretionary commission arrangement
- High commission
- A contractual tie



Bar for high commission raised to 39% of cost of credit and 10% of loan (from 35/10). Using our judgement to set high commission around 85th percentile.

Tighter eligibility



- Lenders can exclude high commission cases ending before 26 March 2020 if fact of commission was clearly disclosed (must inform customer)
 - High value loans (top 0.5% of loans by value each year) excluded
 - Consumers can complain to lender and Financial Ombudsman
-



Cases will be considered fair, if:

- Commission was £120 or less for agreements beginning before 1 April 2014 and £150 or less from then
 - 0% APR
 - A tie, but the lender can prove visible links with the manufacturer and dealer
 - The DCA wasn't used
-



Lenders can prove it was fair not to disclose the arrangement or there was no loss in certain circumstances. Includes if a tie wasn't operated in practice or no better deal available

12.1m agreements estimated to be eligible, down from 14.2m in consultation

Fairer, more proportionate remedy

Adjusted compensation calculation to **better reflect harm** while respecting the Supreme Court judgment.

Approx 90,000 will receive the commission paid – extended from cases involving very high commission (50% of the total cost of credit and 22.5% of the loan) and a tie to **VHC and tie and/or DCA**.

Others get 'hybrid' - average of estimated loss and commission paid.

Estimated loss set at 17% for cases from April 2014 and 21% before that, to reflect greater loss – difference between average DCA and non DCA APRs was **higher pre 2014**.

	6 April 2007 to 31 March 2014	1 April 2014 to 31 March 2025
DCA	13.6%	10.5%
Non-DCA	8.3%	9.1%

Average APR values DCA and non DCA, Diagnostic Report page 23, table 4. Expanded DD1 data request following Court of Appeal judgment.

Fairer, more proportionate remedy

Simple interest added

, based on average base rate per year + 1%, but now at a **minimum 3% in any year**. Consumers can no longer challenge the rate.

In around 1 in 3 cases, redress capped at the lowest of:

- 90% of commission plus interest
- The total cost of credit, adjusted to account for a minimal cost offered to only 5% of the market at the time, excluding 0% APR deals
- The actual total cost of credit, when the adjusted cost of credit can't be accurately calculated

Caps ensure consumers are not compensated more than they would have paid had they been **treated fairly** or those who **experienced most unfairness**.

About 64,000 agreements, where borrowers paid an interest rate lower than **95% of the market at the time**, excluding 0% deals, will not get compensation.

Streamlined scheme



Implementation period to help firms prepare. Up to 3 months for agreements beginning from 1 April 2014 and 5 months for earlier agreements



Firms now only need to contact consumers who haven't complained if they are potentially owed money or timed out

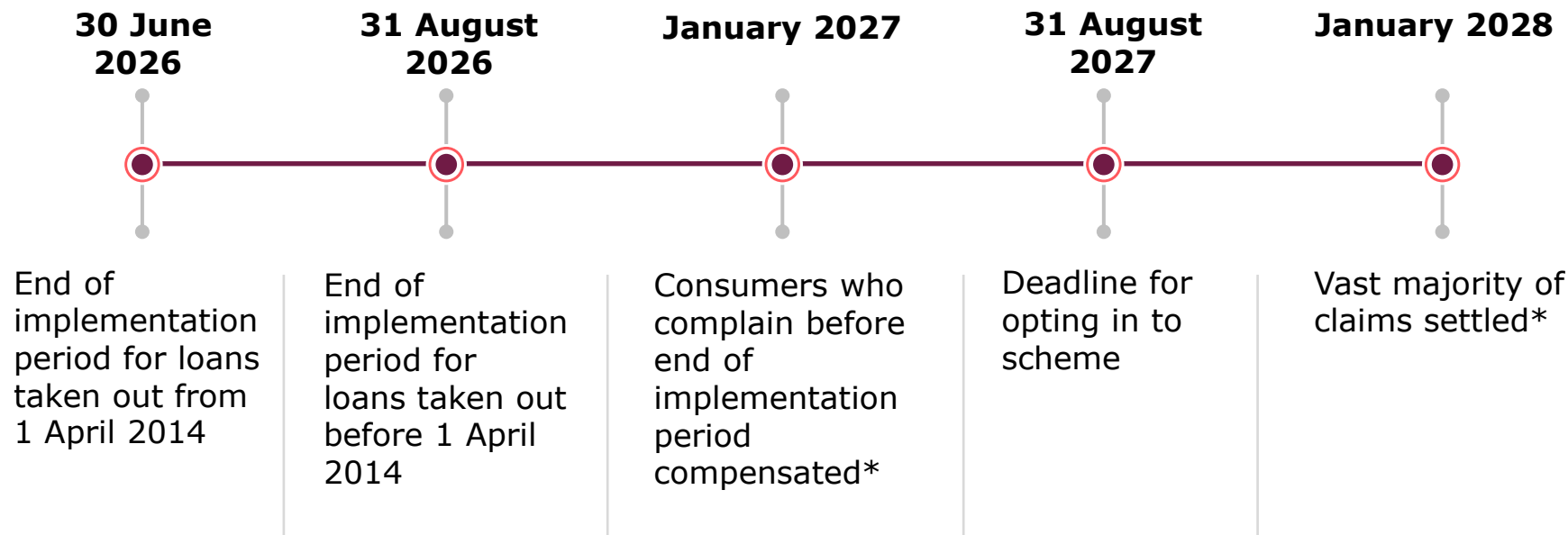


Recorded delivery not required



Along with lower estimated take-up, changes help to bring non-redress costs to firms down by over 40%

Millions compensated this year and most claims settled by end 2027



Firm liabilities and scheme costs

In our consultation we set out indicative redress liabilities and non-redress costs. We have refined our methodology and incorporated further firm data.

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

- Figures rounded to 1 decimal place and may not sum exactly.
- Eligible agreements based on 100% uptake.
- Our model uses a dataset that does not include all agreements originated between 25 October 2024 and 1 November 2024, meaning approximately 40,000 agreements within that window are not captured. This represents a minor data misalignment and is not expected to materially affect the liability estimates.
- The average redress per agreement is based on our 89% sampling approach. All other figures are reweighted to over 99% of the market.
- *75% uptake rate based on a weighted average across the 2 Schemes. Assumed uptake rate for Scheme 1 is 72% and for Scheme 2 is 76%.

Non redress costs

Monetised costs	Counterfactual	Intervention	Benefits (savings)
Scheme 1 – 6 April 2007 to 31 March 2014			
Total firm costs	£1,751m	£479m	£1,273m
Consumer time costs	£61m	£23m	£38m
Scheme 2 – 1 April 2014 to 1 November 2024			
Total firm costs	£6,210m	£1,171m	£5,039m
Consumer time costs	£189m	£54m	£136m
Schemes 1 & 2 – 6 April 2007 to 1 November 2024			
Total firm costs	£7,961m	£1,650m	£6,311m
Consumer time costs	£251m	£77m	£174m

- Figures rounded and may not sum exactly.
- Nominal costs only.
- All other figures are reweighted to over 99% of the market. We assume that ¼ of 2014 agreements are attributed to Scheme 1, and ¾ of 2014 agreements are attributed to Scheme 2.

Ensuring compliance with the scheme



We will supervise closely to make sure firms follow the rules, including exclusion of agreements, and enforce if necessary



Consumers can ask the Financial Ombudsman Service to review if firm followed scheme rules, but will only get a different outcome if they didn't



We will publish updates every 6 months to support confidence in the scheme



Have set up a regulatory taskforce to tackle the poor handling of motor finance claims by some claims management companies and law firms

The market remains strong



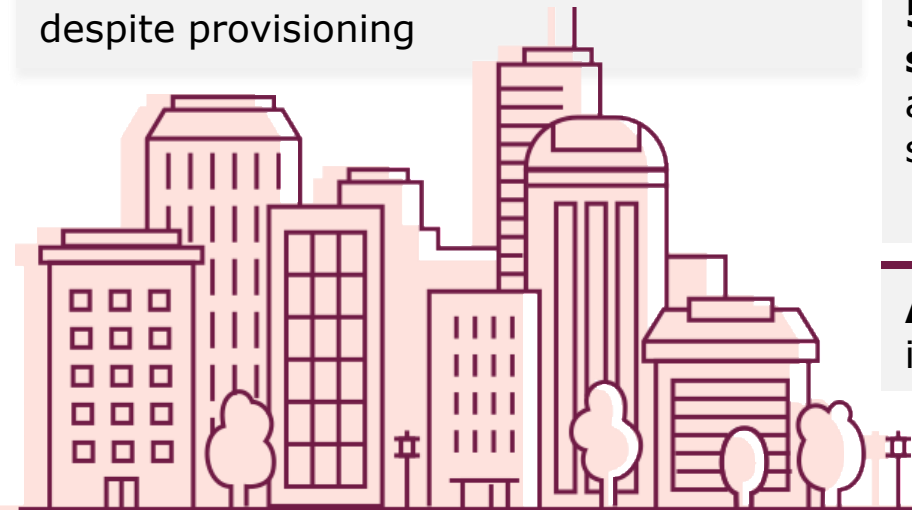
Affected UK listed lender share **prices up between 2-30% in the 2 weeks** following our announcement we intended to consult on a scheme and remain robust despite provisioning

February new car sales at a **22-year high**

5 public securitisations of UK automotive loans since September 2025

New entry from lenders targeting specialist areas of the market since Supreme Court ruling

A record £41bn lent on motor finance in 2025, up 6%



Annex

Scheme split

	Scheme 1 2007-2014	Scheme 2 2014-24	Total
Redress at estimated uptake	£2.2bn (72% uptake)	£5.3bn (76% uptake)	£7.5bn (75% uptake)
Non redress costs	£0.5bn	£1.2bn	£1.6bn
Total (at estimated uptake)	£2.8bn	£6.4bn	£9.1bn
Redress liabilities (100% uptake)	£3.1bn	£7.0bn	£10.0bn
Eligible agreements	4.2m	7.9m	12.1m
Average redress per agreement	£734	£881	£829

- Figures rounded to 1 decimal place and may not sum exactly.
- Eligible agreements based on 100% uptake.
- Our model uses DD1 as the primary dataset for agreement-level characteristics. DD1 does not include all agreements originated between 25 October 2024 and 1 November 2024, meaning approximately 40,000 agreements within that window are not captured. This represents a minor data misalignment and is not expected to materially affect the liability estimates.
- The 75% uptake rate on the final figure is based on a weighted average of uptake rates across the 2 Schemes. Scheme 1 has an assumed uptake rate of 72%, and Scheme 2 has an assumed uptake rate of 76%.
- The average redress per agreement is based on our 89% sampling approach. All other figures are reweighted to over 99% of the market.
- We assume that $\frac{1}{4}$ of 2014 agreements are attributed to Scheme 1, and $\frac{3}{4}$ of 2014 agreements are attributed to Scheme 2.

Distribution of unfair relationship breaches

Unfair relationship type	Breach rate (%)	Eligible agreements	Redress liabilities (£)	Mean redress, £	Median redress, £
Inadequate disclosure of a DCA	34.14%	10.6m	£8.6bn	£810	£641
Inadequate disclosure of a high commission arrangement	8.37%	2.6m	£3.1bn	£1,203	£1,044
Inadequate disclosure of a tie	3.70%	1.1m	0.93bn	£807	£653
Inadequate disclosure of a very high commission and a tie	0.03%	8,046	£24m	£3,119	£2,949
Inadequate disclosure of a very high commission and a DCA	0.28%	87,976	£248m	£2,900	£2,721
Inadequate disclosure of a very high commission and DCA and tie	0.02%	6,691	£20m	£3,160	£3,026

Notes: Technical annex, page 106, table 16. Redress liabilities will not add up to total liability as some agreements may have multiple breaches. Breach rate is defined as the total number of eligible agreements with at least the given unfair relationship (this could include agreements with multiple breaches) divided by the total number of agreements in the scheme period (around 31.1m). All estimates in this table cover 89% of the market.

Market wide impact on data updates on redress liability estimates in CP 25/27

Data updates	Redress liabilities (£bn)	Difference (£bn)	Eligible agreements	Difference
CP25/27 model	£9.68bn		14.24m	
Updated firm-level DD1 data	£10.44bn	£0.75bn	15.35m	1.11m
CP25/27 with data updates	£10.44bn		15.35m	

Technical annex, page 106, table 21. Values are rounded to 2 decimal places, which may result in the estimated liabilities or eligible agreements not summing exactly due to rounding differences. The redress liabilities figures in this table are quoted at the market-wide level.

Market-wide impact of methodology updates on redress liability estimates in CP25/27

Methodology updates	Redress liabilities (£bn)	Difference (£bn)	Eligible agreements	Difference
CP25/27 with data updates	£10.44bn		15.35m	
APR floor adjustment	£10.82bn	£0.39bn	15.35m	0.00m
Dynamic compensatory interest	£11.73bn	£0.91bn	15.35m	0.00m
Early settlement	£12.08bn	£0.34bn	15.35m	0.00m
Firm-specific tie estimates	£12.49bn	£0.42bn	16.8m	1.48m
CP25/27 model (updated)	£12.49bn		16.83m	

Technical annex: table 22, page 110

Note: Values are rounded to 2 decimal places, which may result in the estimated liabilities or eligible agreements not summing exactly due to rounding differences. The firm-specific tie estimates represent a data and methodology update, but we have presented them alongside the methodological update because this methodological refinement was only possible once we obtained new data from firms. The impacts presented are influenced by the sequencing of changes in the model, meaning they represent cumulative rather than isolated effects. The redress liabilities figures in this table are quoted at the market-wide level.

Impact of individual policy changes on the PS26/3 model, market-wide redress liabilities and eligible agreements

	Redress liabilities (£bn)	Difference in redress liabilities (£bn)	Eligible agreements	Difference in eligible agreements
PS26/3 model	£10.03bn		12.14m	
Commission de minimis	£10.17bn	£0.14bn	13.67m	1.52m
Other eligible exclusions	£10.31bn	£0.28bn	12.28m	0.14m
Excluding captives and white labels from UR3	£10.79bn	£0.76bn	14.04m	1.90m
Changes to high commission thresholds	£10.27bn	£0.24bn	12.33m	0.18m
APR-17 for Scheme 2, APR-21 for Scheme 1	£9.90bn	-£0.13bn	12.14m	0.00m
Johnson remedy changed (extended to very high commission and tie and/or DCA)	£9.94bn	-£0.09bn	12.14m	0.00m
Compensatory interest floor of 3%	£9.41bn	-£0.62bn	12.14m	0.00m
Adjusted TCC cap and 90% C+I cap applied	£10.94bn	£0.91bn	12.14m	0.00m

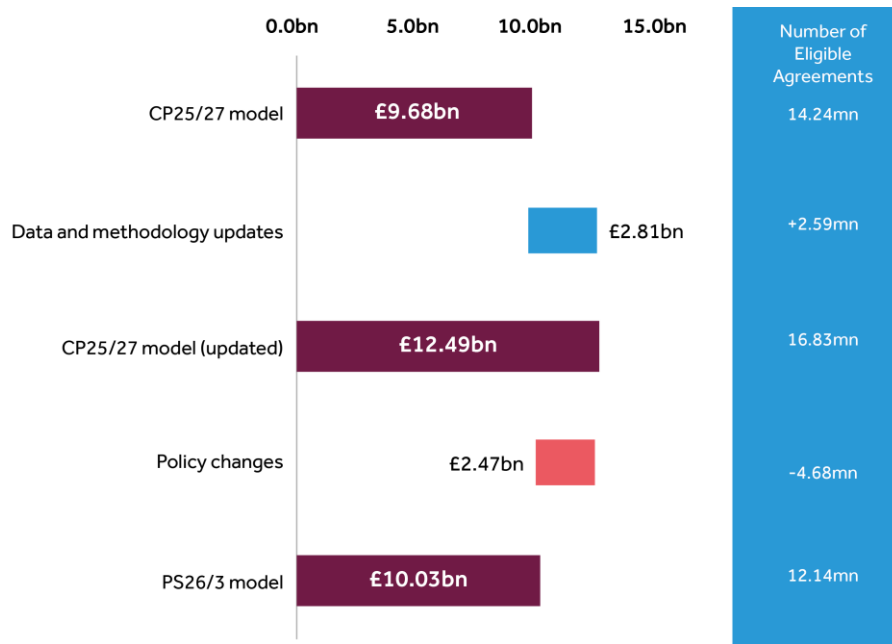
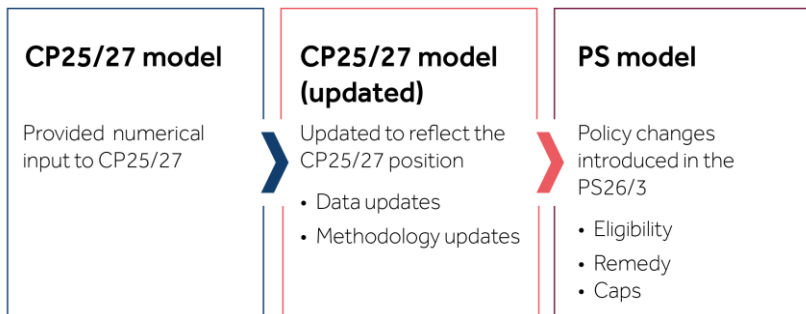
Impact of each policy change relative to the final policy position. To assess the impact of each policy change relative to the final PS26/3 configuration, we compared the final model output (PS26/3 model) with a series of additional model runs, which iteratively exclude each policy change while leaving all others unchanged. This approach enabled us to determine the contribution of each individual policy by observing how the model output differs when that specific policy is removed. For example, when the commission de minimis is removed and all other policy changes remain constant, the total redress liability estimate increases by £0.14bn. Values are rounded to 2 decimal places, which may result in the estimated liabilities or eligible agreements not summing exactly due to rounding differences. Other eligible exclusions include agreements that are ineligible because of the civil limitation period, agreements lasting last than a month and agreements over the high value loan threshold.

Technical annex: table 23, page 118

Sensitivity analysis

Scenario	Description	Redress liabilities	Eligible agreements	Mean redress	Median redress
1	PS26/3 model: commission repayment remedy for cases that closely align with the facts in <i>Johnson</i> ; hybrid remedy for all other cases; compensatory interest at base rate plus 1pp	£10.03bn	12.14m	£829	£661
2	PS26/3 model with compensatory interest rate of Bank of England base rate plus 0pp	£9.81bn	12.14m	£812	£647
3	PS26/3 model with compensatory interest rate of Bank of England base rate plus 2pp	£10.27bn	12.14m	£850	£677
4	PS26/3 model increasing the compensatory interest rate assumption of 4.3% for 2026 to 5.0% for 2026	£10.08bn	12.14m	£834	£664
5	PS26/3 model but changing the end date from 31 December 2026 to 31 December 2027	£10.35bn	12.14m	£856	£682
6	PS26/3 model but changing small commission threshold to £150 for Scheme 1 and £200 for Scheme 2	£9.93bn	11.63m	£858	£689
7	PS26/3 model with high commission threshold at 80 th percentile (34%/9%)	£10.51bn	12.57m	£840	£671
8	PS26/3 model with high commission threshold at 90 th percentile (44%/12%)	£9.58bn	11.73m	£820	£651
9	PS26/3 model with 80% commission plus interest cap and 10 th percentile adjusted total cost of credit cap	£9.53bn	12.14m	£788	£623

Impacts on redress liabilities of model evolution from CP25/27 to PS26/3



Redress and non redress costs split by bank, captive and independent



57%

Bank



42%

Captive



< 2%

Independent

High value loan thresholds

Year	Threshold (99.5th percentile, rounded to nearest £1,000)	Year	Threshold (99.5th percentile, rounded to nearest £1,000)
2007	£25,000 (CCA limit)	2016	£61,000
2008 (pre-6 April)	£25,000 (CCA limit)	2017	£65,000
2008 (post-6 April)	£38,000	2018	£68,000
2009	£39,000	2019	£70,000
2010	£43,000	2020	£73,000
2011	£45,000	2021	£75,000
2012	£47,000	2022	£80,000
2013	£51,000	2023	£82,000
2014	£56,000	2024	£82,000
2015	£60,000		

These thresholds correspond to the 99.5th percentile of loan values for each year of the scheme, rounded to the nearest £1,000. Loans above these thresholds for a given year will be excluded (often for luxury cars).

These thresholds are based on our DD1 dataset, which includes data from 34 lenders representing around 89% of the regulated UK motor finance market, including (but not exclusively) lenders belonging to manufacturer groups who sell cars which are typically considered to be luxury vehicles.

This exclusion does not apply to agreements used to purchase vehicles built or modified for accessibility purposes which are included regardless of loan value.

There is no threshold for 2007 as until 5 April 2008 loans above £25,000 were not regulated.

Adjusted total cost of credit cap: 5th percentile non-zero APR thresholds

Year	5th percentile (non-zero) APR (%)	Year	5th percentile (non-zero) APR (%)
2007	6.9	2016	2.9
2008	5.9	2017	3.2
2009	5.9	2018	2.9
2010	5.7	2019	3.9
2011	4.9	2020	3.9
2012	4.7	2021	3.1
2013	4.8	2022	3.9
2014	4.2	2023	4.9
2015	4.3	2024	3.9

These thresholds correspond to the 5th percentile of non-zero APRs for a given year, based on our DD1 dataset, which includes data from 34 lenders representing around 89% of the regulated UK motor finance market.

These thresholds set the low realistic market rate that forms the basis for the adjusted total cost of credit cap.



London | Edinburgh | Leeds

www.fca.org.uk