

31 July 2025

Dear Firm,

Action: Review your financial promotions regarding motor finance claims

We are writing to request that, if your firm engages in claims management activities related to motor finance, you review your financial promotions to ensure they comply with the relevant rules in the FCA Handbook and align with the standards set out under the Consumer Duty.

Motor Finance review

In January 2024 we announced that we would be reviewing the historical use of motor finance Discretionary Commission Arrangements (DCAs). This review aims to determine whether firms failed to meet regulatory requirements in relation to DCAs and whether consumers suffered financial harm as a result. Where harm is identified, we are committed to ensuring consumers are compensated in an orderly, consistent, and efficient manner.

Following the launch of our review, the Court of Appeal ruled in three cases that it was unlawful for car dealers to receive commission—whether discretionary or fixed—without adequately disclosing this to customers and obtaining their informed consent.

As a result, we extended the time firms have to respond to DCA complaints and non-DCA commission complaints until after 4 December 2025.

The Supreme Court heard an appeal of the Court of Appeal decision in April 2025, and we made submissions to assist the Court. A judgment is expected on 1 August 2025.

In March 2025, we stated that, depending on the outcome of the Supreme Court judgment, we may consult on an industry-wide consumer redress scheme. Such a scheme would set out clear rules for how firms should assess complaints and calculate redress, with oversight mechanisms to ensure compliance. Our aim is to make any redress process straightforward and accessible for consumers, without the need to engage a claims management company or legal representative.

Our work

As highlighted in our 2024 annual financial promotions publication, we had seen an increase in activity with CMC firms. From 1 January 2024 to 30 June 2025, our engagement with 14 authorised CMCs specialising in motor finance claims, has resulted in 225 financial promotions being amended/withdrawn.

Our concerns

We have identified financial promotions across a range of media platforms—including websites, social media, banner advertisements, and paid Google ads—that may breach the requirements set out in the Claims Management: Conduct of Business sourcebook (CMCOB) and the Consumer Duty. Specifically, we are concerned about promotions that:

- **Exaggerate potential claim values** - we have seen a range of redress rates suggested which includes some highly speculative figures by some CMCs and law firms. Some estimates have been calculated based on Financial Ombudsman Service decisions. We may take a different approach to calculating redress in any intervention we may propose to make. Examples of what we have seen include firms:
 - referencing a higher amount but not making clear this relates to a potential pay out of multiple finance agreements, not an individual claim
 - not including the average claim amount per agreement
 - only referencing the highest claim amount recorded and including a small-text caveat that this related to one particular claim
 - referencing the average claim amount across their full product offerings and implying that a similar amount will be awarded for motor finance claims

This remains problematic even when such figures are prefaced with terms like “up to” or accompanied by a cited source.

- **Falsely imply that refunds have already been secured or are guaranteed**, which may mislead consumers about the likelihood of redress.
- **Create a false sense of urgency**, for example by suggesting that there is a very limited time to act or that immediate action is required.
- **Indiscriminately suggest the contact relates to knowledge of a motor finance agreement** of the consumers – firms’ promotions should be more targeted if they use this type of terminology.
- **Signing up consumers without consent** – customers are clicking on ads, providing their details and automatically being signed up without their knowledge. This might result in a consumer being represented by more than one CMC.

These practices risk misleading consumers and may not meet the standards of clarity, fairness, and transparency required under the FCA’s rules.

Our expectations

We believe the practices outlined above have the potential to mislead consumers, particularly where the high claim amounts being promoted are highly speculative.

Firms must avoid using **clickbait-style promotions** or language that suggests a guaranteed outcome before any investigation has taken place. Additionally, given the potential for a redress scheme to be introduced, firms should **not use language that implies a false sense of urgency**. Such messaging may place undue pressure on consumers and could be considered misleading under the FCA’s rules and the Consumer Duty.

We expect firms to ensure that all financial promotions are **clear, fair, and not misleading**, and that they accurately reflect the nature and status of any potential claims.

What you need to do

Firms must ensure compliance with the CMCOB FCA Handbook rules, PRIN 2.1 and PRIN 2A related to the Consumer Duty. We are aware some firms use third parties to support them with

their advertising activity. We remind you of the importance of having adequate governance in place to ensure that your systems and controls are effective when signing off financial promotions.

Firms should be putting their customers' interests at the heart of their business, and this includes when they draft, publish and review financial promotions. It is especially important that firms consider the potential harm for consumers should they be mis-sold products via misleading, unfair or unclear promotions.

Please take the following actions:

1. Review and Revise Financial Promotions

- Ensure all promotional materials (including websites, social media, banner ads, and paid search ads) are **clear, fair, and not misleading**.
 - Ensuring your website is prominently making consumers aware of the current pause involving these types of claims and the fact there may be a redress scheme. As part of this, you may wish to refer them to this FCA webpage <https://www.fca.org.uk/consumers/car-finance-complaints> which sets this out.
- Remove or amend any references to exaggerated claim amounts, especially where figures are not representative of typical consumer outcomes.
- Avoid using terms such as "up to...." unless they are **accurately sourced, contextualised, and not likely to mislead**.

2. Avoid Misleading Outcome Guarantees

- Do not imply that refunds or compensation are guaranteed or have already been secured.
- Ensure all promotional content makes clear that **eligibility and outcomes depend on individual circumstances and proper investigation**.

3. Eliminate False Urgency

- Refrain from using language that implies a false sense of urgency.

4. Monitor and Update Promotions Regularly

- Conduct regular audits of all live promotions to ensure ongoing compliance.
- Promptly update or withdraw any materials that may become non-compliant due to regulatory or legal developments (e.g. the outcome of the Supreme Court judgment).

Next steps

We will proactively monitor the market to assess compliance. If we identify non-compliant financial promotions or become aware that you are not taking appropriate mitigating actions at our request, we will consider what action may be appropriate to take. For example, where there is evidence that firms may be in contravention of their regulatory obligations or are not meeting our standards, we may impose the variation or an OIREQ. See here <https://www.fca.org.uk/publication/corporate/our-approach-enforcement.pdf>.

To note

When taking the requested action in this letter to either amend or withdraw the firm's promotions to ensure they comply with the above requirements, please be aware of the following points:

- We do not approve financial promotions, and it is up to individual firms to ensure that their financial promotions are fully compliant with the relevant Rules and Guidance. This includes the promotion(s) we refer to in this letter and any other promotional material that you publish.
- We draw the Firm's attention to its right to seek independent advice, particularly on matters where the FCA has interpreted the law.

Yours sincerely,

Mark Burns
Head of Department - Cross Market Intervention
Supervision, Policy & Competition

Annex 1 – FCA Handbook Rules

PRIN 2.1.1R

- 1 – Integrity - A firm must conduct its business with integrity.
- 6 – Customers' interests - A firm must pay due regard to the interests of its customers and treat them fairly.
- 7 – Communications with clients - A firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading.
- 9 – Customers: relationships of trust - A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
- 12 – Consumer Duty - A firm must act to deliver good outcomes for retail customers.

PRIN 2A – Consumer Duty and the Finalised Guidance -

<https://www.fca.org.uk/publication/finalised-guidance/fg24-1.pdf>

CMCOB 2.2.8R

(1) This rule applies to a firm from the time at which it could reasonably be expected to know or suspect that it is going to:

(a) pass the customer, or details of a customer or of a claim, to a third party, or give details about the third party to a customer; and

(b) receive a payment from the third party in relation to the firm doing so.

(2) The firm must, in its financial promotions and in any communication with the customer, include a prominent statement to the effect that the firm receives payments from third parties to whom it passes customers, or the details of customers or of claims, or whose details it passes to customers, in respect of doing so.

(3) If a communication relates to a claim which may be made by a customer, without using the services of the firm and without incurring a fee, to a statutory ombudsman or statutory compensation scheme the firm must ensure that the communication contains a prominent statement to the effect that:

(a) the customer is not required to use the services of a firm which carries on regulated claims management activity to pursue their claim; and

(b) it is possible for the customer to present the claim themselves for free, either to the person against whom they wish to complain or to the relevant statutory ombudsman or statutory compensation scheme.

CMCOB 2.2.9G

(4) The guidance at CMCOB 3.2.8G also applies in relation to CMCOB 2.2.8R(3).

CMCOB 3.2.1R

(1) A firm must ensure that each of its communications and financial promotions is fair, clear and not misleading (the fair, clear and not misleading rule).

(2) This rule applies in relation to all communications with customers, including:

- (a) communications intended to generate leads either for the firm or for another person;
- (b) pre-contract disclosures and other information which CMC OB 4 requires a firm to give to a customer; and
- (c) post-sales communications with customers, including:
 - (i) communications intended to keep the customer up to date, in accordance with CMC OB 6.1;
 - (ii) communications of or about fees, charges, invoices and payments; and
 - (iii) communications about complaints relating to the firm.

CMCOB 3.2.2G

(1) The fair, clear and not misleading rule means that firms should communicate with their customers in a way that is appropriate, taking into account the means of communication, the information the communication is intended to convey and the nature of the customer and of the claim.

(2) In complying with that rule, firms should:

- (a) have regard to the average customer's understanding of the services that the firm provides;
- (b) present information in a logical order;
- (c) use plain and intelligible language and, where the use of jargon or technical terms is unavoidable, explain the meaning of any jargon or technical terms;
- (d) make key information prominent and easy to identify, including by means of headings and the layout, display and font attributes of text, and by the use of design devices such as tables, bullet points and graphs; and
- (e) avoid unnecessary disclaimers.

CMCOB 3.2.4R

A firm must ensure that each of its financial promotions and communications with a customer:

- (1) identifies the firm and that it is a claims management company

CMCOB 3.2.7R

If a claim to which a financial promotion relates is of a sort that may be made by a customer to a statutory ombudsman or statutory compensation scheme, without using the services of the firm and without incurring a fee, the firm must ensure that the financial promotion contains a prominent statement to the effect that:

(1) the customer is not required to use the services of a firm which carries on regulated claims management activity to pursue their claim; and

(2) it is possible for the customer to present the claim themselves for free, either to the person against whom they wish to complain or to the relevant statutory ombudsman or the statutory compensation scheme.

CMCOB 3.2.8G

(1) Where a claim can be made to a statutory ombudsman or statutory compensation scheme, CMCOB 3.2.7R requires firms to name the relevant ombudsman or compensation scheme.

(2) The relevant statutory ombudsmen or statutory compensation schemes that the firm should name should include those specified in the following table. If there are other statutory ombudsmen or compensation schemes relevant to the nature of claims to which the financial promotion relates, the firm should name them in addition.

Claim	Ombudsman or compensation scheme
<i>criminal injury claim</i>	the Criminal Injuries Compensation Authority
<i>employment-related claim</i>	none specified
financial services or financial product claim	the <i>Financial Ombudsman Service</i> : for any <i>financial promotion</i> which is generic in nature or where the <i>firm</i> would expect those to whom the <i>financial promotion</i> is addressed to be eligible to pursue their <i>claim</i> with the <i>Financial Ombudsman Service</i>
	the <i>compensation scheme</i> : for any <i>financial promotion</i> addressed to <i>persons</i> who may have a <i>claim</i> against a <i>person</i> which is no longer in business, where the <i>firm</i> would expect those to whom the <i>financial promotion</i> is addressed to be eligible to pursue their <i>claim</i> with <i>compensation scheme</i>
	the Pensions Ombudsman: for any <i>financial promotion</i> addressed to <i>persons</i> who may be eligible to pursue their <i>claim</i> with the Pensions Ombudsman, for example where the <i>financial promotion</i> relates to <i>claims</i> against an occupational pension provider
<i>housing disrepair claim</i>	a <i>housing complaint service</i>
<i>personal injury claim</i>	none specified
<i>claim for a specified benefit</i>	none specified

(3) Firms should also indicate whether claims may be made direct to the ombudsman or compensation scheme, or whether it is necessary for the customer first to pursue their claim directly with the person to whom it relates.

(4) For example, where the financial promotion that relates to claims in respect of packaged bank accounts, a firm could comply with CMCOB 3.2.7R by indicating: "You do not need to use a claims management company to make your complaint to your bank, and if your complaint is not successful you can refer it to the Financial Ombudsman Service yourself for free".

CMCOB 3.2.9R

(1) This rule applies if a firm uses the term "no win, no fee" or a term having a similar meaning in a financial promotion.

(2) In the case of a firm which charges or may charge a fee for services to which the financial promotion relates, the firm must include prominently in the financial promotion:

(a) the fees that the firm charges in respect of claims of the sort to which the financial promotion relates;

(b) where those fees are not fixed or ascertainable in advance, the method by which the fees would be calculated; and

(3) In the case of a firm which charges a termination fee in respect of an agreement with a customer for services to which the financial promotion relates (see CMC OB 2.1.12R(2)(b) and CMC OB 2.1.12R (4)), the firm must ensure that the financial promotion indicates:

(a) that the firm may charge a termination fee in the event that the customer terminates the agreement other than during the cancellation period (see CMC OB 2.1.12R(2)(a)); and

(b) what that termination fee is or, where it is not fixed or ascertainable in advance, the method by which it would be calculated.

(4) Subject to (5), where a firm (F) passes customers, or details of a customer or of a claim, to a third party (T), or gives details about the third party (also T) to a customer, F must include prominently in the financial promotion:

(a) the fees that T charges in respect of claims of the sort to which the financial promotion relates; or

(b) where those fees are not fixed or ascertainable in advance, the method by which the fees would be calculated.

(5) Where F does not know the information required by (4), F must include prominently in the financial promotion an indication of the fee that may be charged for services to which the financial promotion relates.

(6) Subject to (7), where T charges a termination fee in respect of an agreement with a customer for services to which the financial promotion relates (see CMC OB 2.1.12R(2)(b) and CMC OB 2.1.12R(4)), F must ensure that the financial promotion indicates:

(a) that T may charge a termination fee in the event that the customer terminates the agreement other than during the cancellation period (see CMC OB 2.1.12R(2)(a)); and

(b) what that termination fee is or, where it is not fixed or ascertainable in advance, the method by which it would be calculated.

(7) Where F does not know the information required by (6), F must still inform the customer that they may be required to pay a termination fee.

(8) Where a firm is required, under this rule, to include information about fees or termination fees in a financial promotion, that information must be no less prominent than the term referred to in (1).