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7 October 2025

Dear Chief Executive Officer

Expectations for Claims Management Companies (CMCs) involved in motor finance commission claims

Today we opened our consultation on an industry wide redress scheme. We are writing to firms engaged in regulated claims management activities, particularly those involved in claims that may be in scope of our proposed scheme.

We have also today issued a letter to lenders and brokers outlining what we expect them to do now with existing complaints. Firms representing customers impacted by this should familiarise themselves with this to ensure they keep their customers accurately informed.

In this letter, we set out the key issues we are monitoring, as well as what we expect from firms engaging in the scheme on behalf of consumers when it comes into effect. Firms should review their practices in light of this letter and take prompt remedial action. Where we continue to have concerns, we will intervene using our supervision and enforcement powers.

Misleading advertising

On 31 July, we issued a [letter](#) urging firms to review their financial promotions to ensure compliance with Consumer Duty standards and our rules for claims management companies. We highlighted concerns including:

- exaggerated claim values;
- implying refunds are guaranteed;
- creating undue urgency;
- suggesting knowledge of agreements where none exists; and
- customers clicking on adverts, providing their details and automatically being signed up without their knowledge or consent.

On 6 October we issued a statement about the actions we, the SRA, ICO and ASA have taken in relation to poor practices in this sector. All firms should assess their promotions, identify risks, and take remedial steps where harm may have occurred. This may involve contacting consumers and unwinding contracts without charge where appropriate.

Pre-contract disclosure

Clear and timely pre-contract information is central to our CMCOB rules and reinforced by the Consumer Duty. Our recent review into the standard of service provided by firms found non-compliance with CMCOB 4.3.1R(1A), which requires firms to obtain a signed standalone statement confirming customers understand they can pursue claims independently and still choose to use a CMC. CMCOB 4.3.1R(1(iii)) requires the firm to record their customer's reasons for wishing to use a CMC instead of pursuing their claim by the other methods available to them.

Firms should take immediate steps to comply and review past cases to assess potential consumer impact. When assessing whether pre-contract disclosures were sufficient, firms should have regard to any information published by the FCA on its review into historic motor finance practices. Where customers were not adequately informed, firms should take appropriate remedial action, which may include allowing the customer to exit the contract free of charge. We expect that firms should be informing potential customers about the realistic prospect of a redress scheme. A redress scheme would allow customers to pursue a claim themselves, free of charge.

Multiple representation

Our rules are designed to prevent consumers from engaging more than one representative for the same claim. However, we've received reports of consumers engaging with more than one representative without fully understanding the implications.

If informed that a customer is already represented, firms should promptly engage with the customer and cease acting if that is the customer's instruction. Firms must explain the situation clearly and liaise with the other representative(s) where needed, to minimise inconvenience.

Where pre-contract disclosures and information-gathering were insufficient and consumers are represented by multiple firms, we expect consumers to be put back in their original position. This is likely to include unwinding contracts without termination fees.

Contract termination

Firms should prepare for consumers seeking to exit contracts to participate directly in the redress scheme. CMCOB 6.2.1R requires itemised termination invoices explaining services provided and fee calculations. CMCOB 2.1.12R(4) prohibits charging more than is reasonable based on the work done. Where customers choose to exit their contract, we expect firms to notify respondent firms immediately.

We are encouraged that firms have reduced termination fees when challenged or allow consumers to cancel without charge, this will be important for customer who choose to claim directly through the scheme. However, we still have concerns that fees are excessive, for example termination fees that are in the same range as the typical success fee for a claim. We expect this to be remedied.

Firms should also review whether their pre-contract disclosures in respect of contract termination were adequate and take remedial action if not.

Delivering fair value

More generally, we remind firms of their obligations under the Consumer Duty to deliver fair value to customers. This means ensuring that the fees charged, whether for claims management services or contract termination, are proportionate to the benefits provided and reflective of the actual work undertaken. Firms should be able to demonstrate that their charges represent fair value and do not exploit consumer vulnerabilities or information asymmetries.

Representing customers participating in the redress scheme

The FCA will have supervision and oversight of the redress scheme once it is introduced.

Firms should familiarise themselves with the scope and parameters of the scheme and should not request excessive or unnecessary information from respondent firms, nor place undue burden on the respondent firms. We remind firms that they should not continue to pursue a claim where the firm knows or has reasonable grounds to suspect it is without merit, and any challenge around the application of scheme rules by respondent firms should only be done where there are reasonable grounds to do so. Firms should be ready to demonstrate this to us on request.

Firms should also be prepared to demonstrate to us on request that the fees they have charged a consumer for representing them in their participation in the scheme has delivered fair value.

We expect co-operation between CMCs and respondent firms to ensure an efficient and cost-effective process for both sides. Legitimate conduct concerns about respondent firms failing to co-operate or failing to apply scheme rules consistently, should be brought to our attention.

Identifying complaints and applying appropriate remedies

In line with their DISP obligations we expect firms to identify and handle complaints appropriately. Firms should also review and update complaints procedures to ensure early and effective resolution. We will monitor complaints data to identify trends and systemic issues.

Next steps

If your firm identifies issues requiring investigation or remediation, please engage with us promptly. We remind you of your obligations under SUP 15 to report material breaches.

If you wish to discuss this letter, please [contact us](#).

Yours faithfully

Alison Walters

Director, Consumer Finance
Supervision, Policy & Competition Division