

7 October 2025

Dear Chief Executive Officer

MOTOR FINANCE COMMISSION REDRESS: ACTION WE EXPECT FIRMS TO TAKE NOW

This letter is addressed to all firms involved in motor finance lending and broking from 2007. Some firms may have engaged in both motor finance lending and broking. Such firms should meet the expectations set out in this letter for both activities.

It is crucial lenders and brokers do not await the outcome of our consultation and prepare now to deal with their existing portfolio of complaints and for a potential redress scheme. We will support lenders and brokers as they prepare and will take a pragmatic and proportionate approach.

However, if we see any firms failing to prepare appropriately, we will intervene using our supervisory and, if necessary, enforcement powers.

Today, we opened our consultation on an industry wide redress scheme (scheme) to ensure fair and timely compensation to motor finance consumers who were treated unfairly. While no final decision has yet been made, it is vital that firms act now to meet their existing obligations and prepare for the possibility that a scheme may be introduced soon.

The UK motor finance market is the second largest consumer credit market, serving millions of consumers each year. Maintaining trust and confidence in this market is essential. We expect firms to act responsibly and in line with their obligations under our Principles and Rules to ensure consumer

complaints are handled fairly and promptly, and that firms take responsible steps to prepare for a scheme.

The scale of the exercise should not be underestimated. We recognise this will place operational demands on lenders and brokers. We envisage that to deal efficiently with significant volumes of cases firms will want to consider automating processes as far as possible. We welcome such approaches.

We also welcome the significant preparatory work many firms are already undertaking to manage the large volume of cases and data swiftly.

WHAT WE EXPECT FIRMS TO DO NOW

Existing complaints

There are significant volumes of existing motor finance complaints awaiting resolution by firms. Irrespective of any scheme, these will need to be resolved.

We expect you to take the following actions with existing complaints.

Existing leasing complaints

In chapter 11 of our Consultation, we outline that we are not proposing to extend complaint handling times for leasing agreements beyond 4 December 2025.

If you wish to provide feedback on this aspect of the Consultation, please do so by 4 November 2025, in order to allow us time to finalise any changes and give you notice before the current extension in the rules for handling motor finance complaints ends on 4 December 2025.

We expect lenders and brokers to use this period to ensure they can start delivering timely, accurate and fair outcomes to leasing agreement complaints from 5 December 2025.

Firms should:

- Identify when they need to issue a final response to their existing portfolio of leasing complaints (based on the date the complaints were received); and
- Prepare how they intend to handle and determine these complaints in accordance with the 8-week complaint handling requirements.

Other existing complaints

With the exception of leasing complaints, we are proposing to further extend the time for firms to send final responses about motor finance commission complaints until 31 July 2026.

Firms:

- Should, where possible, continue to collect evidence that could help with the eventual resolution of the complaint. We note that our proposals do not affect the continuing application of DISP 1.4.1R. This rule requires firms to, among other things, assess and investigate complaints properly and diligently; and
- Must progress complaints including issues that would fall outside the scope of any scheme, for example affordability, forbearance or other aspects of lending and broking in accordance with existing complaint handling rules under DISP.

Preparation for a potential scheme

Under our proposals, lenders will also be responsible for resolving claims within any scheme. Brokers will also play a key role in supporting lenders by helping to address any information gaps in lenders' records.

We set out in the consultation that we expect lenders to deliver the following actions under the proposed scheme:

- (i) Firms should take reasonable steps to accurately identify and effectively contact impacted consumers (with support from third parties such as brokers and credit reference agencies where required).
- (ii) Firms should gather appropriate information to determine whether cases are in scope of the scheme and, where they are, to assess liability (with support from brokers where required) and reach appropriate decisions.
- (iii) Redress calculations are accurate, and payments are made quickly by lenders.
- (iv) No undue delay at any stage of the proposed redress scheme.
- (v) Where issues are identified they are remedied swiftly and robustly.

Until any scheme comes into force, we recognise you cannot complete all of these actions, but we do expect you to start preparing now. We consider progress can be made under each of the five actions below.

(i) Accurately identify impacted consumers

We expect **lenders** to:

- Establish the extent to which you can identify impacted consumers.

- Consider the accuracy of the contact details you hold for potentially impacted consumers (recognising these are more likely to be wrong for older agreements).
- Consider and begin preparing how you will trace impacted consumers who have moved.
- Identify whether you have sold loan books and understand the impact on claims under a potential scheme.

Where you identify gaps in your records required to identify the impacted population of consumers, we expect you to plan for how to plug them, for example by using technology to re-create lender data, credit reference agencies or other third parties. This preparation is necessary, as we do not expect delays in contacting impacted consumers once any redress scheme comes into force.

Furthermore, if a lender has sold a loan book to another party, they should identify the acquiring party and clarify how responsibilities of any potential scheme and redress liability will be met.

Where redress obligations transfer under the sale, it is likely the acquiring firm will be responsible for discharging them in full. Where obligations remain with the original lender, it is likely that firm will remain responsible for dealing with the claim under any potential scheme and any redress liability. The obligations of the purchaser will depend on the terms of the sale and whether it involved an assignment of rights and duties to the acquiring firm that means it is treated as a creditor for the purposes of the unfair relationships' provisions within the Consumer Credit Act. In all cases, firms will need to carry out due diligence on acquired portfolios to establish responsibility for any redress liabilities and dealing with claims under any scheme. We do not expect to see delay in firms dealing with claims under any proposed scheme due to unresolved issues around redress liability where loan books have been sold. We therefore expect firms to begin preparations now to address any issues.

Additionally, under our proposals, if another business has assumed the liabilities incurred by a firm that is no longer trading, that business will be treated as a lender for the purpose of the scheme, even if it never held FCA authorisation or an Office of Fair Trading licence.

We also expect firms to notify us in good time, where the liability for any redress sits as a result, including identifying and escalating any potential disagreements on ownership of the liability.

(ii) Gather appropriate information to assess cases

We expect **lenders** to ensure they have the appropriate records to assess whether agreements are in scope of the scheme, and to address any gaps swiftly. We recognise that many lenders have already started to address these gaps. Where records are incomplete, you should take early steps to identify the likely types and volumes of information you may need from brokers and begin engaging with them collaboratively and promptly.

We recognise some **brokers** may no longer hold records or may no longer be operational, and the operational challenge for brokers to deal with large volumes of requests from different lenders.

However, **brokers** do still have an important role to play where lenders do not have all the necessary records. Taking steps now to prepare for potential requests from lenders will support the swift payment of compensation and conclusion of motor finance commission complaints.

We therefore expect **brokers** to:

- Identify the lenders you used for motor finance loans.
- Engage with lenders collaboratively and promptly.
- Assess the types and volumes of documents you hold. For example, to evidence broker/lender relationships, commission models and disclosure made to consumers which will support lenders to deliver any redress scheme; and
- Consider the resources you have available to deal with lender requests, and plan how you might address any potential future resource demands.

(iii) Case handling systems and controls

Lenders should act now to review and, where necessary, strengthen systems and controls, so they can deliver accurate redress at scale. We encourage lenders to consider how they might use technology (including AI) to drive efficiency, automation and consistency of case handling.

We recognise the scale of the issue and the operational challenge it presents. We are open to innovative ideas to help lenders manage the volume of cases.

(iv) Maintain adequate financial and non-financial resources

Following our [Dear CEO letter](#) of 12 April 2024, we remind **lenders** of their obligations to maintain adequate financial resources under [Principle 4](#), [COND 2.4](#) and [FG20/1](#).

Based on the proposed scheme and the firm's existing portfolio of complaints, we expect lenders to:

- Review and, where necessary, improve the level of their financial and non-financial resources to ensure they can meet any potential liabilities that arise.
- Analyse the impact of making any capital reduction, such as dividend payments, on your firm's ability to meet potential future liabilities.
- ensure that your financial statements are accurate and up to date. Firms must provision for potential redress liabilities, recognise contingent liabilities or make appropriate disclosures as required by the accounting standards, where appropriate.

Lenders must not act in a way that could delay the provision of redress. This includes the movement of assets out of regulated entities, changes to group structures or transactions designed to shield resources from potential liabilities.

We remind **brokers** of their obligations to maintain adequate financial resources under [Principle 4](#), [COND 2.4](#) and [FG20/1](#). You must ensure that, at a minimum, you have adequate financial resources to meet your debts as they fall due.

If firms have agreements in place between lenders and brokers, which claim or appear to reassign liability for redress, it remains a matter for those firms to resolve this between themselves. However, those arrangements must not delay the timely delivery of redress to consumers.

Insolvency Practitioners

Insolvency practitioners appointed over a failed or failing authorised lender or broker firm, should ensure that the firm continues to meet its ongoing regulatory obligations, including the expectations set out in this letter.

(v) *No undue delay and resolving identified issues promptly and robustly*

We expect Senior Managers at **lenders and brokers** to take responsibility for ensuring their firm is ready for any redress scheme. This includes acting now to ensure there is appropriate second and third-line oversight of the firm's approach.

Our scheme is designed to be easy and free for consumers to use. We recognise that some may choose to be professionally represented by Claims Management Companies and law firms. We expect all firms involved to work together constructively to deliver fair redress to consumers promptly.

Next steps

Lenders and brokers must engage with us in an open and cooperative way (Principle 11), and notify us promptly of anything which could materially affect the ability to meet your obligations, using a SUP 15 notification. This includes if you believe you may not have adequate resources to meet potential liabilities, or if you are considering transactions that could materially affect your financial position.

During the consultation period, we will proactively engage with lenders and brokers to both support your preparations and to understand the actions you are taking. We will aim to be pragmatic and proportionate throughout, focused on working together at pace to secure fair outcomes.

At the same time, where we find evidence that any firm is not sufficiently preparing or cooperating fully, we will not hesitate to act, and if necessary, use the full range of regulatory tools. We therefore expect your full commitment to ensuring readiness and compliance throughout this process.

If you have questions about this letter, please contact the FCA Supervision Hub via email at firm.queries@fca.org.uk or by phone on:

- 0800 111 6768 (freephone)
- 0300 500 8082 / 0300 500 0597 from the UK
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Yours faithfully

Sheree Howard
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FCA