FAQs for settlement offers on car finance complaints

FINANCIAL CONDUCT AUTHORITY



Information about settlement offers on car finance complaints

These **frequently asked questions (FAQs)** provide general information about settlement offers that are based on the FCA's car finance compensation scheme. Lenders must share these FAQs when providing a settlement offer to a consumer. The FCA has not assessed your offer or your individual circumstances, and this information is not legal advice. You should consider the terms of any offer carefully and decide whether it is appropriate for you.

You can speak to your lender or seek independent advice if you feel you don't fully understand the offer or what accepting it would mean.



Why am I receiving this offer?

People who bought a car, motorbike or van between 6 April 2007 and 1 November 2024 may be owed compensation. That's because many lenders didn't properly tell customers important information about their agreements. In March 2026, we launched a scheme to make sure people are compensated by their lenders.

After launching, the scheme was legally challenged (www.fca.org.uk/news/statements/fca-statement-legal-challenges-motor-finance-scheme) by 3 lenders (Volkswagen Financial Services, Mercedes Benz Financial Services, and Crédit Agricole Auto Finance) and Consumer Voice, represented by Courmacs Legal. Parts of it have now been suspended. The case is due to go ahead in February 2027 with a judgement and any payments due expected some months after that. Until the legal challenge is concluded, lenders don't need to pay compensation to people owed money under the scheme.

However, some lenders have decided to offer payments to consumers on some agreements that would be due compensation under the scheme. Your lender has chosen to offer you compensation now.

We oversee firms who are making offers and we are supportive of lenders who want to offer compensation to customers sooner, so long as the compensation they offer you matches, or is more than, the amount you would receive under the scheme that is being challenged.

You should check that the offer clearly explains how the lender has calculated your compensation. If you would like to understand more about how this should be calculated, you can find more information at the end of this document.

What are my options?

You can accept the offer now to receive compensation. If you do not want to accept the offer, you can wait for the legal proceedings to finish. You also have the option to file a claim in a county court.

It is unclear when the legal challenge will conclude. If the scheme is upheld, and the judgment isn't appealed, we expect payments under the scheme to begin in 2027. But if the judgment is appealed or the scheme is overturned in whole or in part, any compensation owed could be delayed until 2028 or later.

You can't refer this offer to the Financial Ombudsman Service.[1] If you decide to wait, the Financial Ombudsman can review the outcome of your complaint at a later stage under a compensation scheme or under a normal complaint process if there is no scheme.

What happens if I accept?

The acceptance is full and final. This means:

- Depending on the outcome of the legal challenge, you could have been due more, less, or no compensation. Accepting the offer means you could no longer claim any additional compensation in relation to the same complaint. However, your lender also can't ask you to repay any money.
- The terms of the offer will likely state that by accepting an offer, your lender will no longer need to consider your car finance commission complaint and treat it as withdrawn.
- You will not be able to refer your car finance commission complaint to the Financial Ombudsman Service and it is unlikely you will be able to complain about the same matter again.
- Accepting a full and final offer could also affect your ability to bring the matter to court, as well as the outcome of any court proceedings.

What happens if I don’t accept?

If you do not accept the settlement offer:

- Your lender will still have to respond to your complaint telling you if you're owed compensation and how much, however the timing of that response is uncertain until the legal process ends.

1 The Financial Ombudsman is an independent service that helps settle disputes between consumers and financial firms, but it will not be able to review this offer.



How is compensation calculated?

Your lender should have explained why you are owed compensation and how it has been calculated in line with the scheme. There is more information on how compensation is calculated at www.fca.org.uk/carfinance.



Is there a limit to the amount of compensation I could receive?

The amount of compensation you are owed under the partially suspended scheme is limited (or '**capped**') at certain amounts and your lender should clearly show where they have used these 'caps'.



What happens if I'm still paying off my loan?

If you still owe any payments under your car loan, lenders may offer to pay you only the remainder of the compensation due, less any payments owed. They may refer to this as '**set off**'.



Using a law firm or a claims management company (CMC)

You don't need to sign up with a CMC or a law firm to accept or reject the offer. If you sign up to a CMC or law firm, you may end up paying for a service you don't need, including up to 36% in fees (including VAT) out of any compensation you receive. **If you have decided not to use a CMC or law firm, you may not need to read the rest of this section.**

You may be asked to confirm whether a CMC or law firm is already acting for you. This could happen where more than one representative has contacted your lender about the same complaint or appears to be acting for you.

If you have signed up to be represented by a law firm or CMC, you should check:

- Whether you signed up with more than one firm.
- Which one you wanted to act for you.
- What work each says it has done for you and whether any fees or charges may apply.

You should tell your lender who they should deal with. You can also tell your lender that you don't want anyone to represent you.

If several representatives are involved, there may be a risk that more than one firm says it is entitled to a fee from the compensation you receive. Checking this now can help you understand any costs before deciding who, if anyone, should act for you.

Where can I get help?

- You can find further information about our scheme at www.fca.org.uk/carfinance.
- You can find out more about the legal challenge and partial suspension of our scheme at www.fca.org.uk/news/statements/motor-finance-scheme-partially-suspended.

If you don't fully understand the offer or its consequences, you may wish to seek independent advice before deciding whether to accept it.

If you have a professional representative such as a law firm or CMC for your complaint, you can ask them for help in explaining the offer, too.

How to protect yourself from fraud

- Don't share your passwords with anyone. Don't give out your bank account details unless you're certain who you're dealing with.
- Your lender may ask for your bank account number and sort code to pay you compensation. You shouldn't be asked by your lender for a fee to access compensation.
- To make sure the offer is genuine, you should check all details for your vehicle and agreement are correct. You can also check which firms have told us they're making such offers to consumers at www.fca.org.uk/carfinance.
- If you know your lender's name but aren't sure a phone number is genuine, call us on 0300 124 8899 and we will put you through to your lender.