

## **Transcript of a conference call led by Nikhil Rathi between the FCA and market analysts on motor finance, 30 March 2026**

See also [slides](#) that were presented.

### **FCA attendees:**

- Nikhil Rathi, chief executive
- Sheree Howard, executive director
- Stephen Braviner Roman, general counsel
- Kate Collyer, chief economist
- Charlie Gluckman, head of redress policy

### **Nikhil Rathi**

Welcome, everybody. Thank you for joining us this evening. For those of you who don't know me, my name is Nikhil Rathi. I'm Chief Executive of the FCA. I'm joined by Stephen Braviner Roman, who is our General Counsel and Chief Risk Officer. Sheree Howard, our Executive Director of Authorisations and our Interim Chief Operating Officer, Sheree and Stephen, have been the executive directors leading our work on motor finance redress. We're also joined by Kate Collyer, our Chief Economist, and Charlie Gluckman, who is Head of Redress Policy here at the FCA, Tim Lennon from our communications team, will also be helping us both this evening and with any queries after the call tonight. As always, we are recording this. We will aim to publish a transcript as soon as we can tonight and in good time before markets open tomorrow morning.

We'll do a very short presentation and then move to Q&A and try to get as many of your questions in as we can. When you ask your question, please could you let us know your name and institution?

I hope you can all see the slides on your screens. So if I go to the first slide, please.

We've published today the final rules for the Motor Finance Compensation Scheme.

We continue to consider that firms have broken the law and owe compensation

to consumers. Most of the respondents agreed that a redress scheme was the best way forward, the most cost effective, the fairest and quickest way to bring this issue to a close. We've listened carefully to all the feedback we have received and we hope the scheme that we've put forward today will bring certainty to everybody involved.

As you can imagine, there was conflicting feedback, a range of views expressed, so we'll go through today some of the key decisions that we have made. That includes tightening up the eligibility criteria, which will bring down the number of eligible agreements from the 14.2 million estimated at consultation to 12.1 million. The overall estimated bill for redress is 7.5 billion based on an adjusted 75% take up which draws on some feedback and evidence we received about participation rates during the consultation period. And that's down from 8.2 billion based on an 85% take up at the point of consultation. We have put forward several operational alleviations in the scheme to enable it to be more streamlined and run more smoothly which brings down operational costs by 40% to £1.6 billion, which takes the total bill for firms as an estimated £9.1 billion, which is modestly lower than the £11 billion estimated at consultation. We think that this is a fair proportionate scheme which will draw a line under the past and support a healthy, functioning motor finance market in the future.

If I go to the next slide, the proposals we put forward today cover agreements from 2007 to 2024. We consider that the liabilities exist all the way back to 2007, as the law has been broken back to 2007. We have powers to include agreements pre-2014, however, some respondents have questioned that. So we have proposed 2 schemes, scheme one, which is 6th of April 2007 to 31st March 2014, and scheme 2, 1st of April 2014 to 1st of November 2024. And that ensures that if anybody seeks to challenge the earlier scheme, that payouts for the later period should not be delayed. The view we have is that the scheme is the most cost effective way of dealing with these liabilities. Without a scheme, we estimate that the operational costs for lenders could be 6 billion pounds or more higher, of which 1.3 billion pounds of operational cost would accrue for that earlier period. So we think it's everyone's interest to back this now and draw this to a conclusion. I'll pass to Charlie.

## **Charlie Gluckman**

Thank you. So I'll talk about the eligibility. So we kept the core tests of unfairness the same, so the same three relevant arrangements, but following feedback, we've changed the way we set high commission threshold. So now we've set it at 39% of the total cost of credit and 10% of the value of the loan. Now that reduces eligible agreements by 180,000 agreements and redress liabilities by 240 million pounds. I'll go to the next slide. We tightened up other aspects of the criteria for eligibility. So firstly, certain cases can be excluded from the scheme. So older cases that are solely about high commission can be time barred if there is evidence that the fact of commission was disclosed to the consumer.

## **Charlie Gluckman**

And also we're now excluding high value loans, so that's loans in the top 0.5% of loans by value each year, will be excluded. So those cases will not be scheme cases. If the consumers want to complain to their lender or take a complaint to the Ombudsman, then they can, but they won't be dealt with through the scheme.

Secondly, then for some scheme cases that do have a relevant arrangement, they can be considered fair for several reasons. So firstly, if the commission levels are below a de minimis amount, so that's £120 for Scheme 1 and £150 for Scheme 2. Also, if the consumer had a 0% APR deal, or where there is a tie between a captive lender and a franchise dealer, and the lender is able to evidence visible links between the lender and the dealer, then they could consider those cases to be fair. Now this reduces eligible agreements by 1.9 million and liabilities by 760 million pounds.

And finally, where there was a DCA, but the DCA was not used, we consulted on the basis of this being a rebuttal, but now it's an exception from a relevant arrangement. And finally, we've introduced a new rebuttal of unfairness, where a lender can evidence that a tie was not operated in practice, so this is in addition to the 'no better deal' rebuttal. So we think by tightening the eligibility, we're better targeting the scheme to those agreements that were unfair. And I'll hand over to Sheree.

## **Sheree Howard**

Thank you. We're also focused on the remedy to do a fairer, more proportionate remedy. We have kept the broad approach to remedies aligned to that in the CP. So those where there was most unfairness closest to the Johnson case, through the Supreme Court, will still get commission plus interest and then we'll have the hybrid remedy, which is an average of the estimated loss and commission paid.

In terms of cases getting commission plus interest, we have slightly amended the criteria there to add not only if they're very high commission and with a contractual tie, but also very high commission with a DCA. On the slide, you can see that approximately 90,000 agreements will receive the commission paid.

In terms of the hybrid remedy, we have slightly amended the loss-based APR adjustment. In the original CP, it was 17% across the entire period. We are keeping that 17% for the latter scheme, so that is Scheme 2 from April 2014 onwards, but to reflect the fact that we believe that loss was slightly higher in the earlier period, we are amending that 17% to 21% for the earlier scheme, Scheme 1.

And you can see on the slide there also some comparisons of APRs to highlight the difference between the periods. Next slide.

We have also made changes to the interest rate. We've kept the base rate plus one percentage point, but we are now flooring that in any year at 3%.

However, we are no longer allowing it to be rounded up and consumers cannot rebut the interest rates. We are also for the redress that's under the hybrid remedy, not the commission plus interest, but the hybrid remedy, we are capping redress and we think about one in three cases will be capped. That is to reflect both that those consumers receiving the hybrid remedy should not get something which approaches the commission, they should not get commission plus interest because that is for the agreements where there is most unfairness, so therefore, we are capping at 90% of commission plus interest.

The second cap, and it's the minimum of the three, is taking the total cost of credit and adjusting it for a minimal cost of credit on the theory, that consumers should have paid some form of, under a fair agreement, some minimal cost of credit. And just to ensure that nobody gets anything back more than the cost of credit, we've also capped it at the total cost of credit.

And you can see there, we believe that about 64,000 agreements, because they've got a low interest rate on their agreement, will not get any redress.

### **Stephen Braviner Roman**

So we've streamlined the scheme, as Nikhil said. We've introduced the implementation periods, which we'd already referenced. We have reduced the number of consumers that firms need to contact, in particular those who haven't already complained. We've reduced the numbers that need to be contacted so that it's only now those who are potentially owed money under the scheme, who need to be contacted.

We've changed some of the specific requirements on modes of communication, in particular recorded delivery - it's no longer required. We think taken together; these will help reduce the redress costs by over 40%.

The time frame, as you can see, the main point really to get across here is that for those individuals who have complained, they will get their redress sooner if under Scheme 2, the later period of time if you have complained, the latest that redress should be paid is November 2026, and the Scheme 1 for those who complained would be January 2027.

For those who haven't complained, it would be a longer period. The deadline for opting in to the scheme overall for those consumers who haven't complained is the 31st of August 2027.

And again, just to underline that if we didn't have the scheme and this were to play out through the FOS and through the courts, we think it would take much, much longer for consumers to receive redress. Handover to Kate.

## **Kate Collyer**

Thank you. Nikhil has already given the headline figures for the final policy, so this slide gives you just a little bit more detail. The middle column there sets out some changes that we made to our original CP model estimates - I'm happy to talk about those if there's some interest in that. Just focusing on the right-hand column, you can see the estimates for the redress and non-redress costs for the scheme.

One of the critical things to highlight is the changes that we've made to our assumption about the uptake rate. In the CP, we presented our results based on an assumed uptake rate of 85%. We had feedback in our consultation response that that was that the actual uptake rate would be lower. So we have revised our estimate based on evidence that we received in response to the consultation, evidence that we had from behavioural literature and evidence from our consumer research that informed how the scheme would split.

So when we use that revised uptake rate, we estimate that the redress, the total redress liabilities would be 7.5 billion and total non-redress cost would be 1.6 billion, meaning that total cost of firms would be 9.1 billion, and we estimate that 12.1 million agreements would be captured and average redress would be 829 pounds.

The next slide then sets out the revision to our non-redress costs to the firms. The big changes here are the changes in our assumption around the uptake rate, plus changes in eligibility requirements and new or amended data that we've received.

So you can see that in nominal terms, we think that the total cost for firms across both schemes would be 8 billion pounds in the absence of our intervention, and 1.6 billion with our intervention. So we estimate that the net benefits from our scheme would be 6.3 billion pounds.

## **Nikhil Rathi**

There is a lot to digest here. This is a very broad and very detailed scheme.

We're going to be supervising the scheme very closely with a director-led team, up and running now. And they will be looking at how firms are implementing this, holding senior managers to account, and we stand ready to use our enforcement powers if we need to.

Consumers will be able to ask the Financial Ombudsman Service to check that lenders have complied with the scheme rules, if they are concerned that that is not the case. And we also have a regulatory task force up and running to make sure that we, with the Solicitors Regulation Authority, Information

Commissioner's Office and Advertising Standards Authority, deal with any sharp practices that might be coming from claims management companies, law firms, other professional representatives.

We will be publishing updates every six months, drawing on regulatory reporting and other material that we get, operating a scheme with a high level of transparency. The Financial Ombudsman Service is considering consulting on a lower case fee for how they may deal with any complaints that come to them.

We have been vigilant through all of this to make sure that the market for motor finance remains strong and robust. Millions of people rely on it every year. Lender equity prices have risen between 2 to 30%, prior to the conflict in the Middle East, since we announced our intention to consult.

The latest data from new car sales in February showed that they were at a 22-year high. Demand for motor finance for consumers remains robust, up 6% in 2025. And we've seen the UK auto securitisation public markets opening since September last year with both prime and non-prime issuance, and some new entry in specialist segments of the motor finance market.

So we're confident that this scheme will support the continued functioning of the motor finance market but we'll remain vigilant. We also think it's an opportunity for lenders to draw a line under this, bring certainty to their customers, and their investors, and build trust for the future.

With that, I will hand over to Tim who can help us shepherd the questions. Benjamin, over to you.

### **Benjamin Toms**

Hi team, thanks for taking my questions. The first one is around overall the headline impact has come down, but if you strip out the claim rate reduction from 85% to 75%, the estimated redress per agreement has actually gone up. Maybe you could just highlight a couple of drivers that's causing the average redress per agreement to go up? And then secondly, can you just give us an update, the total number of claims that have been made so far, how that splits between the lenders and the CMCs and how you're trying to kind of bring down the impact that CMCs might have on this issue? And lastly, I'm not sure whether you answer this or not, do you expect that banks will need to top up from here, their provisioning? Thank you.

### **Nikhil Rathi**

Thanks. On the first one, if we can go back to the first slide that Kate ran through, please, the firm liabilities and scheme costs. You'll see that the number of agreements that are eligible has gone down from 14.2 million to 12.1 million. And there is more detail in the technical annexes on that. Essentially, that's to a significant degree driven by the introduction of a de

minimis threshold of 120 pounds of commission for Scheme 1 and £150 pounds of commission for Scheme 2.

So the lower commission agreements have come out, which pushes the average redress up for what is remaining. The number of agreements has also come down because of the adjustments we've made in relation to the captive lenders and tied arrangements where we consider that the evidence that's been provided to us suggests there was a different consumer journey and that in many cases they will be able to demonstrate that the relationship was disclosed and those agreements would not be eligible then for redress.

I don't have the breakdown on how much has gone straight to lenders and how much has gone to CMCs. We'll look at that Benjamin and we will see if we can get something to you. I think each lender as they publish their updates may be able to give you more insight into that. We do believe there are several million complaints in the system. We have been really clear that this scheme is free to use. Consumers do not need to use a CMC or law firm. We have acted robustly where we have seen sharp practices. There are a number of CMCs regulated by us who are not allowed to take on new customers. And we've got a joint task force, as I described earlier, to make sure that these professional representatives are behaving fairly with their customers. At the same time, they will have a role to play in the scheme because if customers freely choose to use a professional representative, they're entitled to do so. On provisions, I will leave that to each lender to explain their position as they digest what we have announced this afternoon. And of course, we would expect them to update the market promptly.

I'll go now to Benjamin Caven-Roberts.

### **Benjamin Caven-Roberts**

Good evening. Thanks for the presentation. This is Ben Caven-Roberts from Goldman Sachs. Just a follow-up, please, on Ben's question, actually. So I noticed the share of costs expected to be borne by banks has increased from 51% in October's consultation to 57% now. Would it be right to think, though, that given the total industry cost estimate has decreased, that actual absolute cost implied for the banks is actually fairly similar to the original consultation, if not a little lower. Thank you.

### **Nikhil Rathi**

Kate, do you want to take that one?

### **Kate Collyer**

I'd have to confirm that one specifically, but the intuition I think is right. I wouldn't want to confirm without checking that.

**Nikhil Rathi**

We should give you the exact data. It's in the markets impact annex, page 27, paragraph 156. So we've got the data, the precise estimates of the numbers in there. I think broadly speaking, that's right, but some of the reduction is partly down to the redress liability, but also down to the significant reduction in administration costs, which has come from the simplification of the way the scheme operates.

We said all along that we wanted to make sure this was cost effective and we've had some good suggestions which have enabled us to streamline the way the scheme works. And the percentage for captives is obviously influenced by what I just described in terms of the tied arrangements and the evidence that they can provide to suggest that there was disclosure to consumers, which would then take those potential agreements out of the route to compensation here.

**Sheel Shah**

Great, thanks. Hopefully you can hear me. So Sheel Shah from JP Morgan. Just one question, please. With regards to high commissions and how you've defined them at 39% of the total cost and 10% off the loan, you've clearly narrowed that scope compared to the consultation, but it's still short of what the Supreme Court have come out with. Would you expect or is there a risk of a legal case or legal challenge against this? And I just want to get your understanding or your perspective as to why that's at that level and not higher, please.

**Nikhil Rathi**

So, I'll ask Sheree to explain the level and Stephen to explain the legal perspective.

**Sheree Howard**

Thank you. So the PS and the technical annex will definitely show you that our work demonstrates that higher broker commission is associated with a higher total cost of credit for consumers and we proved that that was statistically significant and there were details in the documentation.

So we do believe there are circumstances where the amount of commission should be disclosed to consumers and our analysis show that this happened rarely. But our analysis did not identify a specific threshold. So we have looked at the distribution of commission amount as a percentage of the total cost of credit and the loan and it must hit both levels in order to be considered high commission.

Our view is that the 75th percentile sits within the upper end of normal market practice. Johnson would have captured only the most extreme cases and obviously the Supreme Court named that as lavish and therefore indicating that that would be above and that's where we have aligned to. That level is

where we set the very high commission, but we believe below that, and we have picked the 85th percentile, it's above the interquartile range, but it's below the Johnson level of commission is the right level to set that high commission value.

### **Stephen Braviner Roman**

And just briefly on the legal risk around that, we think that that's a reasonable regulatory judgment. It's something that is not determined by Johnson. Johnson and the Supreme Court was dealing with very particular facts and as Sheree says, lavish in their words on the level of commission. So we think it's reasonable to have a level that's pitched lower than that and the 85th percentile seem to us to be a reasonable place to position it.

### **Aman Rakkar**

Hello, Aman at Barclays. Thanks for the session.

I had three questions if I could. So I wanted to just query the two schemes. From my reading of the documentation, it kind of belies a lack of confidence around your ability to fully enforce claims prior to 2014. Is that a fair characterisation? It seems like you're anticipating a legal challenge for claims prior to 2014 and you're kind of conceding that there's kind of merit to that.

And as part of that, is there any chance you can give us a sense of, of the 10 billion redress liability, assuming 100% uptake, what percentage do you think relates to claims prior to 2014 versus after 2014? I'm sorry if I've missed that in the various releases.

I also wanted to query about prior consultation, 100% take up 9.7 billion. It looks like you materially underappreciated or kind of underestimated redress as part of your kind of update. You've kind of given us this intermediate column to the 9.7 billion goes to 12.5. So can you talk about what you materially underappreciated around redress beforehand, because it actually looks like there's actually quite a significant easing versus what this could have been. That would be helpful. And then the third is on the join rates, please. So I'm interested around your confidence around the 75% uptake rate. I think previously 85% is not a million miles off 100, so actually there's quite a lot of confidence around that level, but 75 seems like you're kind of relying on feedback and various bits and pieces, but what's your kind of confidence around that 75% uptake rate and, you know, risks of it being higher? Thank you.

### **Nikhil Rathi**

On the second question about the split between Scheme 1 and Scheme 2, we've put the slide up there for you so you can get the figures directly from there. It's broadly speaking, £6.4 billion, Scheme 2, £2.8 billion, Scheme 1

contribute to the £9.1 and the seven and three in terms of the £10 billion redress figure.

On 2 schemes, we're clear the law has been broken back to 2007. These liabilities exist back to 2007. They will need to be dealt with going back to 2007 and we will make sure the law is complied with going back to 2007. We think the quickest, most cost effective way of doing that for lenders and to provide certainty to consumers is through a scheme. Some respondents have questioned whether we have the power to do so. We think we do. But we do think that it was a responsible thing to do to just make sure that if there is a challenge to that earlier period, we don't delay the millions of people in the later period who are waiting for compensation. And we think that if people think that they can go ahead without a scheme, it's going to cost the lenders a significant amount of money more. We'd estimate, as I said, in the counterfactual £6 billion pounds of higher operational cost, of which £1.3 billion would be for the earlier periods. We don't think it'd be in their interest, but obviously people have made this point during the consultation. Stephen, do you want to add anything on that and then I'll turn to Kate on the remainder?

### **Stephen Braviner Roman**

No, I think you've covered that. I mean, I think that it's not lack a confidence. I think we've just been responsible in relation to, in the event that a challenge is brought, this is a sensible step to insulate those later consumers and not have them swept up in the same challenge.

### **Nikhil Rathi**

And one thing I would say is that there is no appetite here for complaints to be paused indefinitely. So the complaints that are coming in for 2007 to 14 are going to need to be dealt with and there will be an operational cost that will fall if they're dealt with outside the scheme. Kate.

### **Kate Collyer**

So you asked about the change to the uptake rate, something we received quite a lot of feedback on. So we gathered more evidence. We've looked at the behavioural literature around this. We had some useful feedback on the consultation response, and we commissioned some consumer research to help us understand how that might vary over time.

So you can see in table 10 of the CBA, which is an annex at the back of the document. Page 311, we've set out the calculations for our uptake rate and some sensitivity around it. So the 75% is actually 72% for Scheme one, 76% for Scheme 2. And we have the sensitivity of our results to that as well.

## **Nikhil Rathi**

And can we go back to the firm liabilities and scheme costs slide and the middle column, Kate, which you might want to explain.

## **Kate Collyer**

So how we go from the consultation to the new proposals. So we received new data and we updated our consultation model to incorporate that revised data. One of the updates to the assumptions we were making around the tied agreement. So we've updated that. We've also incorporated parts of the methodology that in the CP we had stated we hadn't been able to implement into the model, but we have now implemented those as well. So those changes, the data and the method take you to the figures in the central column.

## **Nikhil Rathi**

The specific points that weren't incorporated at the consultation stage were dynamic compensatory interest and the APR minus 17 floor, which have both changed again in terms of the final policy. But just for transparency, we have given this data so you can understand how the different numbers fit together. I will now go to Edward, please.

## **Edward Firth**

Edward Firth from KBW.

I just wondered if you could give us any commentary around how we how these averages are likely to play out for individual companies and you know it won't have escaped your attention that one particular company has been effectively been told it's insolvent based on their analysis.

And so I'm just trying to get a sense as to what the variation around these numbers might be by firm. I mean, the logical thing is to take the £895 or whatever it is and apply the cases and the market share. Is that what you are encouraging us to do?

Or would you say that actually we can't really use this data to apply to an individual firm because within the averages there are huge ranges?

Some may be down as low as 600, some may be, I don't know. So how would you expect us to use this data? I guess is my question.

## **Nikhil Rathi**

We're necessarily giving you aggregate data and the figure of the average was £829.

There is dispersion across the range of lenders based on the nature of the agreements they had in place, the level of average loan that they, a loan agreement they entered into or some lenders will have had higher value cars than others. Some will have been more active users of certain types of discretionary commission agreements.

So, and you have to be, I think, thoughtful before you simply take this and run an algorithm on market share. It's a point that I think was made earlier when you looked at the captives versus banks. You know, it's not a complete mapping across market share.

So, the best I could say to you is to, you know, you'll need to look at the individual guidance that lenders give you as they consider this and come out with their updated information in the coming period. They now have certainty about the final rules. They know their lending book better than anybody and they should be guiding the market in detail on your questions.

### **Edward Firth**

Okay, thanks so much.

### **Sanjena Dadawala**

Thank you, Sanjena Dadawala from UBS.

Two related questions from me, please. I'm particularly interested in the slight change in language on one of the points of unfairness where we've added to the discretionary commission arrangement about where the broker could adjust the interest rate to obtain a higher commission. Is like, am I reading too much into that or would it mean that say downward scale models where there's a high commission rate and dealers can only bring that down would now not be considered unfair?

And then similarly, the exception where DCA wasn't used to earn additional commission. Could you provide an example of that in practice, please? Thank you.

### **Nikhil Rathi**

We're not differentiating between different types of discretionary commission arrangement, apart from that example which you just gave at the very end where Charlie, you can cover, you know, if a DCA wasn't, was there but not used, what we're doing.

## **Charlie Gluckman**

Yeah, so in certain circumstances, the DCA might have been present in the agreement, but for various reasons, that discretionary commission arrangement may not have actually been used in practice. And if that can be demonstrated that that was the case, so that the broker didn't use the discretionary commission aspect of it, then that's excepted from being a relevant arrangement.

## **Nikhil Rathi**

Charlie, while you've got the floor on this point, do you want to just explain the rebuttal around right of first refusal and non-operative ties there?

## **Charlie Gluckman**

Yeah, absolutely.

So, we've introduced this new rebuttal where we got feedback that in some cases where there was a tie, a right of first refusal, whilst it was there on paper in practice, that wasn't actually operated by the broker.

So, the broker didn't go to the lender with the right of first refusal.

So, we're saying that if that was the case, then if the lender is able to evidence that, if they're able to demonstrate that it's more likely than not, that that right of first refusal was not used, then they can rebut the unfairness.

Now, crucially for this rebuttal, firms will need to evidence it. They'll need to report to us the use of it, as part of all the scheme reporting, but they will also need to get their third line to confirm the use of that rebuttal as well to ensure that it's used appropriately.

## **Nikhil Rathi**

One thing, if you will, to just bear in mind as you're thinking about the numbers that we've put out there, when it comes to that rebuttal and indeed the rebuttal about no better deal, we haven't modelled any assumed usage of those rebuttals in our aggregate numbers because we don't have the data on that. But those rebuttals are there available to use if the evidence is robust, as Charlie has described.

## **Christopher Cant**

Yeah, thanks for taking the questions. Appreciate this session. It's Chris Cant from Autonomous.

Two, please.

One, could I just ask you to comment on the rationale for the flooring, the interest of putting in a minimum rate at 3%? I'm not sure I understood the logic there. Perhaps I've I have not read the full document yet, so maybe it's explained, but if you could comment on that, that would be great.

And then in terms of the scope of the scheme, there's obviously various bits being carved off. I appreciate the 0.5% of high value agreements is quite small. But in previous discussions, you talked about how you wanted the vast majority of this redress issue to be handled through the scheme.

I'm just wondering whether you could comment on how much of the aggregate redress that will eventually be paid to customers you think will now be coming through this scheme, acknowledging the sort of minor carve outs and also the fact we do have some legal challenges.

And I'm not sure to what extent I did make a note of the reference you gave us to the maths and logic underneath the 75% uptake assumption.

But is there an assumption in there that the uptake is lower, partly because some of this will be now dealt with through the courts. Because obviously from a markets perspective, we're trying to think about the total cost of this redress issue, not just the portion of it that's going to be handled through these now two FCA schemes.

## **Nikhil Rathi**

We received an enormous amount of feedback on the compensatory interest rate, particularly from consumer organisations, individual consumers and their representatives. Mindful of the fact that for a significant part of the period we're covering back to 2007, there was highly accommodative monetary policy in place. So, at a Bank of England base rate plus one, the argument that we were getting was that we were significantly below what courts would have awarded in terms of interest on compensation during that period.

We found that evidence persuasive and that's why we have floored it at 3%, because we think broadly speaking, the courts will have been looking at that as roughly the minimum that they would be looking to pay in awards on compensation.

We give the sensitivity analysis around all of that in the technical annexes, so you can see how that adjustment affects the numbers.

We think it adds about £620 million to the overall redress liabilities at 100% take up, with perhaps a little bit more in the earlier years, because that's when you had the lowest interest rates.

This is a very broad scheme. And that remains the case. The high value loan exclusion is a very specific set of circumstances where cars of high value or loans of high value, we got quite a bit of evidence that the customer journey was quite different. So, those are outside the scheme, because we didn't think that those loans were suitable for a mass market redress scheme. Consumers, as Charlie said earlier, will still be able to complain to their lender, will still be able to go to the FOS in the normal way.

We don't think it's material, in terms of your question, about the total impact on redress liabilities. Obviously, there are certain car manufacturers for whom this was a very significant issue because they were dealing with very high value cars. I would also just underline the point that we make in our rules that cars that are modified for accessibility purposes do not benefit from this high value loan exemption. They remain in the scheme.

Kate, on the question around 75%, legal challenges, anything in the model? And Stephen might want to explain what might happen if people seek to parallel track their cases.

### **Kate Collyer**

No, there isn't anything explicitly in the model around legal cases, because we didn't think that was likely to be a very big figure. You can see the sensitivity around that in the CBA annex. So that hasn't changed significantly between the CP and now.

### **Stephen Braviner Roman**

Couple of quick things to say on interaction of court cases and the scheme. Obviously, we think the scheme is simpler for consumers to use - guarantees an outcome in the sense of if you meet the criteria, you know the mechanism, the methodology that will be applied to work out how much you'll be entitled to and it's free.

Contrast that with the courts, where the ultimate redress is a matter of entirely for the court's discretion. It's highly uncertain quite what an individual will get and obviously they'll have to pay legal fees up to 30% of their actual award, if it goes through the court route.

Those factors people will have to bear in mind. If a consumer were to go through the scheme and pursue litigation in parallel, the lender would be able to pause consideration of the case through the scheme. If the consumer still

persisted and got their case listed for a substantive hearing, they'd be excluded from the scheme.

So, consumers have to really make a choice as to which route they want to go down. They can't pursue both in parallel.

### **Nikhil Rathi**

Just returning to the interest rate question, linking to that legal point. We also think that having that minimum floor on the interest rate, reduces the incentive for consumers to want to go to court to seek redress. It makes the scheme a more promising route for them to use to pick up Stephen's point there.

Sheree might want to just cover some of the technical tweaks we've made to the interest rate as well.

### **Sheree Howard**

Yes, certainly. In the consultation paper, it was base rate plus one percentage point, but also rounded up to the nearest quarter point. We have removed that rounding up. But the other element in the original consultation paper, we were allowing consumers to rebut the [compensatory] interest if they could demonstrate that it should be higher for them.

We received a lot of feedback from all respondents on the practicality of that process. It would add quite a lot of cost, it was deemed. And it would be quite a lengthy process and place quite a lot of reliance on consumers, which is another reason we have sought to go for the floor and we have removed the rebuttal from the scheme.

### **Nikhil Rathi**

That's another operational simplification. Amit.

### **Amit Goel**

One follow up on the legal process. I hear that clearly for the lenders, if they were to not, or if they were to challenge the scheme, there's potentially a high counterfactual cost.

But, especially on scheme one, how vigorously, if lenders do challenge that particular scheme, would you look to fight them in the courts, versus appreciate they would have, cost if that scheme isn't implemented?

Secondly, I guess your commentary that you expect obviously the lenders to make statements in the coming days, with the impact. For the banks overall, the cost looks like it's come down by about 7%. So, I just don't know how material the potential changes are versus what they've already announced in terms of provisioning.

So, I'm just kind of curious, are you expecting some kind of distributional changes or, what is it which would require the lenders to actually come out and make statements following this announcement?

Thank you.

### **Nikhil Rathi**

On your second point, I think we'll leave it to lenders to assess, as I said earlier, against their own portfolio of loans. And to explain to the market if they need to make any changes, if any, to their previous characterisation of their liability.

On the first point, Stephen, on the legal point, do you want to pick that up?

### **Stephen Braviner Roman**

I mean, obviously, if a challenge is brought, we will resist it. We are confident in two things, one in our legal analysis, but also that this is the right approach for consumers and for firms and for the wider market. And so we will be, you know, seeking to defend that robustly if someone made a challenge

The counterfactual to a challenge would then have to be thought through for all those, depending on who it was bringing the challenge, but if firms sought to challenge it, I think Nikhil may have said earlier, these complaints do not magically disappear just because someone challenges our scheme. The counterfactual of dealing with them is still a real issue for firms to deal with.

### **Nikhil Rathi**

As we said publicly, when some of this has been reported in the press, it does seem to us rather contradictory that firms and investors have asked us for certainty and indeed the consumer law firms have asked us to secure timely compensation for their clients, that parties would now seek to drag that out and delay.

### **Jonathan Pierce**

Hello, thanks for doing this. Got 2 questions.

Coming back to this prospect for a judicial review, what happens to those that decide that they just want to press on with the scheme and presumably that is exactly what happens while the judicial review is going on in the background?

But then what happens if the judicial review discovers or decides that certain elements of the scheme aren't legally robust for the lenders who perhaps by that point have already made compensation payments? I'd be interested just in the legal points there.

The second question, maybe just going back to how the numbers have changed from the first consultation document to the model, if you like, before today, because the eligible agreements figure has gone up a lot. I mean, it's gone from 14.2 million to 16.8 million. And that lifted the starting point of redress, excluding the admin cost by a couple of billion pounds.

So obviously then what's happened today is the policy changes you've announced here brought that number back down to roughly where you started. And it's really only the uptake rate assumption moving from 85 to 75% that's taken the headline redress number lower.

So I'm just interested in more detail. Why have the eligible agreements gone up by 2.6 million since the original consultation? What have you found that you hadn't found before?

### **Nikhil Rathi**

So, on that second question, two points. One is in the original consultation, we had a model for tied arrangements, which was a percentage estimate assumption around breaches. What we got afterwards was much more detailed firm by firm analysis of whether they had used a tied arrangement, whether it had been disclosed or not.

That drove a significant portion of that uptick. And then secondly, as Kate talked about earlier, we received some significant new data or were able to incorporate some significant new data from lenders, which was an improved data set relative to what we published at the consultation stage. Those are the two things that particularly drove those numbers.

Kate, anything more?

### **Kate Collyer**

No, those details are in tables 21 and 22 in the annex. That splits out the impact of those incremental changes in the data.

**Nikhil Rathi**

And then the legal judicial review and what happens.

**Stephen Braviner Roman**

So, I think the question was, firstly, you were establishing that if there's a challenge in the normal course of events, the scheme would continue, firms could continue to pay under it, consumers could be entitled to expect payment under it.

Yes, that's true if the court didn't intervene, so the challenge itself wouldn't stop things. If a firm paid under the scheme and then reached a full and final settlement of the complaint, then I think depending on precisely on the terms of the court outcome, I think that would be a full and final settlement of the complaint in the same way as if it just agreed a complaint settlement today, as it were.

So, I don't think that would necessarily mean everything would be unpicked, but we would have to work through the precise consequences if there were to be a challenge and precisely what the grounds of the challenge were. It all goes back to the essential point. The law's clear that the law's been broken. The Supreme Court said the law has been broken in this area and there are millions of people who've already complained whose complaints have to be dealt with.

Making a challenge doesn't make any of that go away.

**Nikhil Rathi**

I think as you'll see, we've looked at this very carefully, looked at all the points that have been raised with us. We have sought to strike a balanced and proportionate approach. Any party that seeks to challenge one aspect of it, we would have to look at the whole approach if we were asked to reopen the whole approach.

So, you shouldn't assume that any revised scheme would not consider everything in its entirety.

**Jonathan Pierce**

Okay. All right. Thank you.

**Nikhil Rathi**

Thank you.

I think that's it for questions and we've run a little bit over time. Let me just say we've been working with you on this motor finance issue now for over a year and we at the FCA really appreciated our engagement with you as the analyst community and the feedback you've given us on our communications and what would be helpful for the market.

So, thank you.

And a number of you have convened investor meetings for us. We continue to be keen to engage with you as the scheme rolls through and indeed on our work more broadly.

So, thanks for being so constructively engaged with us.

I will wrap it up there and let you write your notes for the morning.

And if there are any questions, feel free to send them through to Tim and we'll do our best to answer them as quickly as we can. Thanks.