

**CASE TYPE PROFILE:  
CAR FINANCE  
MIS-SELLING/  
PERSONAL CONTRACT  
PURCHASE (PCP) CLAIMS**

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# SUPREME COURT RULING OPENS DOOR FOR MOTOR FINANCE CLAIMS

On Friday, 1st August 2025, the Supreme Court delivered its much-anticipated ruling on car finance commission arrangements<sup>123</sup>. While the Court rejected the wholesale fiduciary duty claims that threatened a £44 billion industry-wide liability<sup>4</sup>, **the landmark Johnson victory has created a clear pathway for consumer redress** through the Consumer Credit Act, which will still result in liabilities ranging from £9 billion to £18 billion<sup>5</sup>.

## THE KEY TAKEAWAY: JOHNSON WON

The Supreme Court ruled that Johnson’s relationship with the lender was unfair due to an excessive, undisclosed commission (26% of the loan amount and 55% of total interest charges) and misleading documentation about the dealer’s independence. This has created immediate viability for similar fact-pattern claims and much-needed certainty on what case types do and do not merit redress claims.

## STRATEGIC MARKET INTELLIGENCE

Our analysis shows this ruling **de-risks the litigation funding opportunity** in several ways:

- **Discretionary Commission Arrangements (DCAs)**<sup>6</sup>, banned by the Financial Conduct Authority (FCA) on 28th January 2021<sup>7</sup>, present even stronger unfairness arguments than the hybrid/fixed commission case that succeeded in Johnson. The widespread use of DCAs before 2021 - the FCA estimates 40% of car finance deals pre-2021 had a DCA<sup>8</sup> - creates significant volume opportunities with clearer success profiles.

- **Objective Success Metrics** - Johnson’s 55% commission-to-interest ratio provides clear screening criteria for case selection, enabling sophisticated risk assessment and pricing models rather than guesswork.
- **Political Risk Eliminated** - Crucially, the Supreme Court ruling removes the risk of government intervention to protect lenders, a key concern that was dampening institutional appetite for motor finance litigation funding.
- **Market Dynamics Shift** - We’re seeing solicitors adjust their per-case revenue expectations downward, with some now targeting around £950 per client, creating opportunities for well-capitalised funders to secure quality case volumes at attractive economics.

The Supreme Court’s ruling means **fact-specific claims will succeed** where:

- Commission levels exceed the Johnson threshold (55% of interest charges)
- Proper disclosure wasn’t made (buried in terms & conditions isn’t enough)
- Commercial ties were concealed (exclusive dealing arrangements undisclosed)
- Regulatory breaches occurred (FCA CONC rules violated)
- Historical DCA structures were used (pre-2021 agreements)



FCA estimated compensation per mis-sold agreement



## PARALLEL TRACK STRATEGY

Rather than waiting for the FCA scheme, the clear regulatory timeline (October consultation, 2026 payments) creates settlement pressure while allowing individually litigated claims to proceed via the courts system on the established Johnson precedent. The FCA's £9 billion redress estimate suggests it expects significant consumer compensation; however, litigated **claims can proceed immediately** without waiting for regulatory schemes.

### WHAT DOES THIS MEAN FOR LITIGATION FUNDING?

The Supreme Court ruling has established a sophisticated legal framework that prioritises careful case selection over volume-based approaches. Our market intelligence indicates this creates **immediate commercial opportunities** for funders with:

- **Advanced case selection capabilities** using the Johnson ruling for success criteria
- **Capital to secure quality case volumes** at improved economics
- **Sophisticated risk models** based on objective success metrics
- **Strategic positioning** in a de-risked regulatory environment

Our cautious approach to date has been vindicated, and **we're now moving into an active phase, entering into dialogues with law firms and claims management companies as their strategies crystallise into executable plans**. We've been developing a funding model tailored to the post-Supreme Court landscape, focusing on fact-specific assessments that target high-probability claims with clear precedent support. Our approach to date means we are uniquely positioned to move quickly and take advantage of precedent-based opportunities, in contrast to other funders in the market who have up to 89% of their portfolio exposed to PCP claims, with limited due diligence having been conducted on the viability of a significant portion these claims.

**The car finance mis-selling opportunity is very much alive** - the Supreme Court has simply made it more sophisticated and potentially more profitable for well-positioned, well-prepared funders. We're actively evaluating case volumes and will be providing more details on our funding approach as market conditions develop.



# HOW DID WE GET TO THE SUPREME COURT?

**SUMMER  
2017**

The FCA has been scrutinising the motor finance market in some way, shape or form since summer 2017.

**MARCH  
2019**

In March 2019, the regulator published “Our work on motor finance – final findings,” outlining several findings, including that:

- The way commission arrangements are operating in motor finance may be leading to consumer harm on a potentially significant scale.
- The widespread use of commission models that link broker commission to customer interest rates and allow brokers discretion to set the interest rate gives rise to conflicts of interest and creates strong incentives for the broker to charge a higher interest rate.
- These incentives have significant effects on the cost of motor finance for consumers, and that for commission models where the broker has discretion over the interest rate, increases in broker commission are associated with higher increases in interest rates.

**JANUARY  
2021**

## **INITIAL FCA ACTION BANS DISCRETIONARY COMMISSION ARRANGEMENTS**

DCAs allowed car finance brokers and intermediaries, including car dealers and salespeople, to artificially raise interest rates on car finance deals.

In addition to leading to higher repayments for the consumer, an increased rate also meant the salesperson received a higher commission payment.

The FCA stated that such practices are unfair because consumers were often not informed about the commission element of the deal. The regulator believes that many consumers agreed to deals thinking they were receiving a flat rate from the finance provider and would have attempted to negotiate or considered alternative options if they had been aware of what was included in the rate.

**JANUARY  
2024**

## **FCA LAUNCHES FULL INVESTIGATION IN JANUARY 2024**

On 11th January 2024, the FCA launched an investigation into the potential mis-selling of car finance, specifically Hire Purchase (HP) and Personal Contract Purchase (PCP) deals, amid concerns that consumers have been charged billions of pounds in overcharged interest where a DCA was used.

Estimates at the time suggested consumers could be due an average of £1,100 in compensation.



OCTOBER  
2024

## OCTOBER 2024 RULING SETS INITIAL PRECEDENT AROUND CAR FINANCE MIS-SELLING

A landmark legal ruling, handed down by the Court of Appeal on Friday, 25th October 2024, brought significant implications for car finance firms and consumers, as well as their representatives, who have been working to secure compensation from mis-sold car finance agreements.

The Court of Appeal ruled that:

- Car finance brokers could not lawfully receive commissions from lenders without a customer's fully informed consent.
- For fully informed consent to be given, the consumer would need to be told all material facts that might affect their decision, including the amount of the commission and how it was to be calculated.

The judges ruled this didn't happen in any of the cases it considered.

This ruling established a clear legal precedent, meaning millions of motorists could successfully claim car finance mis-selling compensation and opened up the possibility of additional claims being brought.

### WHAT ADDITIONAL CLAIMS COULD BE BROUGHT?

While DCAs have been the focus of the FCA's investigation, the Court of Appeal ruling opened up claims relating to fixed commissions as well as interest rate inflation, meaning that additional claims could follow Plevin in that non-disclosure of any commissions – and not just where interest rate inflation has been applied – is grounds to bring a successful compensation claim.

**This is the type of claim in the Johnson case, in which the Supreme Court upheld the Court of Appeal's ruling and established a clear precedent and framework for non-DCA claims.**

In December 2024, the regulator confirmed an extension to its existing pause on DCA-related complaints to cover those relating to other types of commission and hidden charges in motor finance agreements.

### WHAT HAPPENS NEXT?

On Sunday, 3rd August 2025, the FCA confirmed that it would publish a consultation on a motor finance redress scheme in early October. The regulator proposes that the consultation will remain open for six weeks, with a view to car finance redress payments commencing in early 2026.

Of primary concern is the method of that redress scheme and who will police it. When lenders were left to "mark their own homework" in the PPI redress scheme, consumers did not receive justice, as the subsequent Plevin case and the resulting wave of claims demonstrate. For a truly genuine consumer redress scheme to exist, it will still require the involvement of third parties to police the lenders. This creates a significant opportunity for professional representatives to ensure fair consumer outcomes and oversee the redress process, driving substantial high-quality case volumes.

In addition to claims already being handled by professional representatives, many consumers who have yet to make a claim may also choose to seek representation to ensure they receive a fair and full payment of redress.

OCTOBER  
2025

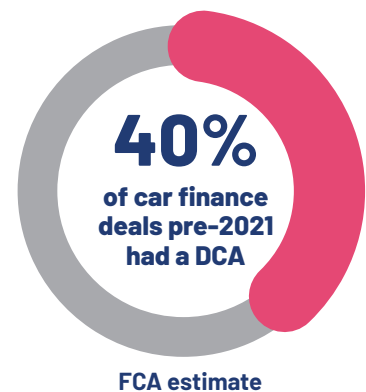


## HOW COMMON WAS PCP MIS-SELLING?

The regulator estimates that **95%** of all car finance deals had a commission model and that **40%** of those sold before the DCA ban will have included some element of interest inflation.

Given that up to 90% of new cars in the UK – and a significant portion of the used car market – are purchased using financing, it was thought that the combination of the Supreme Court’s verdict and the FCA’s investigations into the use of DCAs and broader car finance mis-selling could open the floodgates to complaints and compensation on a similar scale to the PPI scandal.

While the Supreme Court’s ruling eliminates the potential for collective redress liabilities exceeding £44 billion, there remains a considerable opportunity for claimant firms and litigation funders, with total compensation now likely to range from £9 billion to £18 billion.





## DCA USAGE BY LENDER

In May 2024, consumer website *MoneySavingExpert* launched a survey that gathered over 11,000 responses from readers who had already made a complaint to their car finance provider, providing an insight into the scale at which selected lenders were using DCAs in their car finance agreements .

The results, detailed in the table below, highlight the percentage of customers at selected car finance brands that had, as of August 2025\*:

- Been told their agreement included a DCA, indicating that they are likely due compensation.
- Been told their agreement didn't have a DCA.

- Not had their complaint dealt with, including but not limited to customers who received an acknowledgement of their complaint, did not receive a response, were asked for further information, or who were told they did have a DCA but the lender did not believe their agreement was mis-sold.

Based on the percentage of customers with each lender who have been informed they didn't have a DCA, we have projected the potential percentage of customers who may be owed compensation related to DCA usage.

**Customers without a DCA may still be eligible for compensation if they paid other hidden commissions or charges that are equal to or greater than those in the Johnson case.**

Car finance provider	% of customers told their agreement included a DCA	% of customers told they didn't have a DCA	% of customers whose complaint is yet to be dealt with	Projected % of customers potentially owed compensation
Black Horse (Lloyds Banking Group)	57	2	41	98
Close Brothers	64	5	31	95
MotoNovo	77	5	18	95
Barclays Partner Finance	61	10	29	90
Mobilise (excluding RCI)	41	11	48	89
Santander	63	15	22	85
Ford Credit Europe	8	15	77	85
BMW Financial Services	36	19	45	81
Stellantis (excluding Vauxhall)	46	23	31	77
Stellantis (Vauxhall only)	35	30	35	70
VW Financial Services (excluding Audi)	33	43	24	57



## USE OF OTHER COMMISSION MODELS

**Outside of DCAs, it is possible that lenders were using a broad range of commission models, potentially including paying advance commissions to brokers .**

Given the potential diversity of commission models, and the potential for lenders to have been using multiple models across their car finance agreements – and in some cases numerous models on the same deal – the only practical guide to the potential number of mis-sold customers is the FCA’s estimate that 95% of car finance deals included commission.

The Supreme Court ruling in Johnson means that a significant number of non-DCA claims are likely to remain eligible for compensation. While key questions remain regarding what constitutes adequate disclosure and what constitutes fair

or excessive commission, the Johnson ruling provides an indication of potential benchmarks.

It remains to be seen how the regulator plans to deal with these claims, with its redress scheme consultation likely to explore whether the scheme should include non-DCA compensation payments.

**While the FCA has already alluded to such claims being dealt with on a case-by-case basis, it seems unlikely that a Financial Ombudsman Service or the County Courts would be able to adequately deal with a significant case load, while the likely broad range of commission models in use also means redress calculations would be complex and necessarily bespoke for each claimant.**



# COMPENSATION POTENTIAL

**Claimants' car finance mis-selling compensation awards will depend on several factors specific to their circumstances.**

While the FCA estimates that claimants will be due an average of £950 in compensation per mis-sold agreement, statutory interest will also apply when calculating redress, meaning claimants with multiple mis-sold agreements and who have had car finance since 2007 could be due thousands.

Our due diligence process ensures that we can realise our target returns, which effectively means we will only fund cases with a specific minimum value and that meet our internal case selection criteria. While individual claim values will vary, our funding model is structured to deliver target returns across a diversified portfolio of qualifying cases. Our primary focus is on the legal merits and precedent-based probability of success, rather than the quantum of any single claim.

## ABOUT OUR FUNDING ACTIVITIES

Seven Stars will lend law firms a flat fee per case, with the fee designed to promote efficient case management from the firm and to maximise our returns for the business and its investors.

Prior to the Supreme Court judgment, we had approved lending facilities of £4,000,000.00 with two law firms to run over 19,200 claims between them.

One of those law firms has already secured an additional 28,800 potentially qualifying claims to run, with a final funding decision pending, subject to the proportion of those claims that involve DCAs or meet the benchmarks outlined in the Johnson ruling.



**19,200**

claims with lending already approved



**28,800**

potential additional claims with an existing borrowing law firm

## **CORPORATE GOVERNANCE**

Further information on how we assess requests for litigation funding and fulfil our responsibilities to our investors, borrowing firms, and the legal and legal funding industries is outlined in our Corporate Governance Statement.

To receive a copy of this document, please email [hello@7stars.legal](mailto:hello@7stars.legal).



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