

Date: 31/03/2026

To Whom it May Concern

FCA Motor Finance Redress Scheme

Following the publication on 30 March of the FCA Policy Statement: PS 26/3 (which is 584 pages and yet to be fully digested), the main keynote headlines are:

i) Date Range

The scheme covers motor finance agreements between 06 April 2007 to 01 November 2024.

There will be 2 schemes:

- 6 April 2007 – 31 March 2014 (Scheme 1)
- 1 April 2014 – 1 November 2024 (Scheme 2)

ii) Eligibility for Redress

A relationship will be presumed unfair where it involves inadequate disclosure of 1 or more of the following:

- Discretionary commission arrangement (DCA) – where the broker could adjust the interest rate offered to a customer to obtain a higher commission.
- A high commission arrangement (39% of the total cost of credit and 10% of the loan).
- Contractual ties that gave a firm exclusivity or a right of first refusal, except where the lender can prove there were visible links between the lender, manufacturer, and franchised dealer

There will be some exceptions, with cases considered fair, if:

- i) The commission was £120 or less for agreements beginning before 1 April 2014 and £150 or less after that date as the FCA view is that commission amounts below those levels are unlikely to have influenced the consumer's decision or broker's behaviour.
- ii) The borrower wasn't charged interest.

12.1 million agreements are estimated to be eligible.

iii) Redress Values

It is estimated that the average redress payment per agreement will be increased to £830.

In relation to compensatory interest, the above figure takes this into account, a minimum interest rate for any year as 3%, (an increase as outlined in the consultation paper CP 25/27).

iv) What Lenders must do Next

There will be an implementation period so lenders can prepare and meet the deadlines set. Firms will have up to:

- 30 June 2026 for loans taken out from 1 April 2014.
- 31 August 2026 for those agreed earlier.

Consumers who have already complained or who complain before the end of the relevant implementation period will be compensated sooner.

Lenders will have 3 months from the end of the implementation period to let those who've complained know whether they're owed compensation and how much, with payments following within a calendar month thereafter, following an offer being accepted.

Lenders do not need to adhere with the above voluntary implementation periods and can plan to begin assessing motor finance agreements and taking scheme steps within the next 6 weeks.

As we know, many lenders have been preparing for this announcement and have earmarked funds for claimant payouts, who may also commence sooner than the guidelines laid out.

Complaints can be submitted up until 31 August 2027.

v) Total Redress & Associated Lender Costs

Based on an estimated 75% participation rate, covering circa 9.1M+ motor finance agreements, the FCA estimate lenders will pay redress of **£7.5bn**. Including non-redress costs, the total bill to lenders is an expected **£9.1bn**.

It is worth noting that these are *solely* FCA estimates, with experts quoting figures between £10b - £20b, for overall costs and redress. We saw in the early years of PPI , estimates which were significantly lower, than the final redress figure of £38.3b+ (excluding operational costs), we will see.

Yours sincerely



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