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FCA Outlines Next Steps on Potential Motor Finance Redress Scheme

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On 5 June 2025, the United Kingdom's Financial Conduct Authority ("**FCA**") has published a statement ("**Statement**") setting out its current thinking on the possible implementation of a redress scheme for motor finance customers who may have been affected by discretionary commission arrangements ("**Redress Scheme**").

This follows the FCA's earlier decision to pause complaint handling in light of the pending appeals to the United Kingdom Supreme Court in *Hopcraft & Ors* (the "**Supreme Court Appeals**"). In March 2025, the FCA stated that if, following the outcome of the Supreme Court Appeals, it concludes that motor finance consumers have lost out, it is likely to consult on an industry-wide consumer Redress Scheme.

In the Statement, the FCA confirms that, subject to the outcome of the Supreme Court Appeals, it is likely to consult on a Redress Scheme that would require firms to proactively assess and compensate affected customers. The FCA's preference is for a streamlined, industry-wide solution that avoids the need for individual complaints or reliance on claims management companies.

The Statement also outlines the principles that would underpin any such scheme, including:

- A focus on fair outcomes for consumers who suffered financial loss due to non-disclosure of discretionary commission arrangements;
- A firm-led approach to identifying and compensating affected customers;
- A commitment to efficiency and consistency, with the FCA potentially setting out a standardised methodology for redress.

The FCA has indicated that the Redress Scheme would likely operate on an opt-out basis. This means eligible consumers would automatically be included unless they actively choose not to participate. The opt-out model is intended to maximise consumer reach and reduce friction, particularly for those who may not otherwise engage with a complaint-led process.

The Supreme Court's decision in the Supreme Court Appeals is expected in July 2025. The FCA has reiterated that it will make a final decision on whether to proceed with a Redress Scheme within six weeks of the Supreme Court's ruling. In the meantime, the pause on complaint handling remains in place until at least 4 December 2025.

This latest development signals a potentially significant shift in the regulatory landscape for motor finance. Firms should continue to monitor the situation closely and consider how they might operationalise a redress process if required.

For any queries, please reach out to the Proskauer UK Regulatory team.

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