

CLIENT UPDATE — MARCH 2026

FCA Motor Finance Redress Scheme: What It Means for Your Claim

The FCA published its finalised Motor Finance Consumer Redress Scheme on 30 March 2026. This update explains what the scheme involves, where we believe it falls short, and what you need to do (and not do) while we assess its impact on your claim.

This document covers: the background to the mis-selling issue, how the FCA scheme works, our assessment of its limitations, the case for court claims, the timeline, and critically, what you must do if your lender contacts you.

What Happened and Why

WHAT HAPPENED

For years, many motor finance agreements involved discretionary commission arrangements (DCAs). Brokers (dealers) received commissions that were not disclosed to customers, and could increase your interest rate specifically to boost their own commission — a direct conflict of interest.

THE LEGAL TURNING POINT

In August 2025, the Supreme Court ruled in *Johnson v FirstRand Bank Ltd*. The Court confirmed these practices created "unfair relationships" under the Consumer Credit Act 1974, making lenders legally responsible for the brokers' actions. Following this ruling and a period of formal consultation — to which Courmacs formally contributed — the FCA published its final rules (PS26/3) on 30 March 2026.

HIDDEN FEES

Commissions paid to dealers were not disclosed to consumers at the point of sale.

CONFLICT OF INTEREST

Dealers could raise your interest rate to earn a higher commission, entirely without your knowledge.

LEGAL LIABILITY

Courts have confirmed lenders bear responsibility for broker conduct under the Consumer Credit Act 1974.

The FCA Scheme at a Glance

The scheme covers motor finance agreements taken out between 6 April 2007 and 1 November 2024 where commission was payable by the lender to the broker. The headline figures are as follows:

12.1M Agreements Covered	£830 Average Payout per Agreement	£7.5BN Total Estimated Redress	3% Minimum Interest Floor
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Key Scheme Parameters

PARAMETER	DETAIL
Agreements covered	12.1 million (reduced from 14.2 million originally proposed)
Period covered	6 April 2007 to 1 November 2024
Average payout	£830 per agreement (up from £700 consulted on)
Total estimated redress	£7.5 billion (at 75% consumer participation)
Interest on compensation	Bank of England base rate plus 1% per year; minimum floor of 3% per year
Implementation deadline (post-April 2014 agreements)	30 June 2026
Implementation deadline (pre-April 2014 agreements)	31 August 2026
Complaint deadline (consumers not yet contacted)	31 August 2027

How Compensation is Calculated

The FCA has designed a two-tier system. Most consumers will fall under the Hybrid Remedy. A small minority will qualify for Full Commission restitution.

REMEDY TYPE	WHO QUALIFIES AND WHAT IS PAID
Full Commission	Around 90,000 consumers with very high commission (at least 50% of credit cost and 22.5% of the loan) plus an undisclosed tie or DCA. Paid: 100% of the commission paid, plus interest.
Hybrid Remedy	The vast majority of the 12.1 million eligible agreements. Paid: the average of the actual commission paid and a standardised estimated loss figure. Compensation is capped in around 1 in 3 cases.

How the Hybrid Remedy Formula Works

<p>APR ADJUSTMENT (POST-APRIL 2014) A 17% downward adjustment to your APR is applied to calculate the estimated loss for the Hybrid Remedy.</p>	<p>EARLIER AGREEMENTS A 21% downward adjustment applies to earlier agreements, reflecting higher historical losses in that period.</p>	<p>COMPENSATION CAP Compensation is capped at 90% of commission paid or the total cost of credit, whichever is lower. If your APR was already in the lowest 5% of market rates, you may receive nothing.</p>
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Eligibility: Who is Covered and Who is Not

The scheme applies where a consumer was not clearly informed about at least one of the following arrangements: a Discretionary Commission Arrangement (DCA); a High Commission arrangement (at least 39% of total credit cost and 10% of the loan); or a Tied Arrangement giving the dealer exclusivity or a right of first refusal.

IMPORTANT: EXCLUSIONS FROM THE SCHEME

The following consumers are excluded entirely and must pursue alternative routes:

<p>ALREADY RESOLVED CLAIMS</p> <p>Consumers who have already successfully complained to the Financial Ombudsman Service, had a court determination, or accepted redress from their lender.</p>	<p>HIGH-VALUE LOANS</p> <p>Agreements in the top 0.5% of all loans by value in a given year. These consumers retain the right to pursue individual complaints or court claims.</p>
<p>LOW OR ZERO COMMISSION</p> <p>Agreements where no commission was payable, where commission paid was £120 or less (pre-April 2014) or £150 or less (from April 2014), or where no interest was charged.</p>	<p>LOWEST-RATE BORROWERS</p> <p>Approximately 64,000 agreements where the APR was in the lowest 5% available in the market at the time, on the basis those consumers were not materially overcharged.</p>

If you are unsure whether any of these exclusions apply to your agreement, do not worry. We will assess your individual position and advise you accordingly.

Rebuttal Arguments: How Lenders Can Reduce or Reject Your Compensation

Under the scheme, lenders are permitted to reject or reduce compensation in certain situations. These are known as rebuttal arguments and they are often complex and fact-specific.

A lender may argue one or more of the following:

- You could not have obtained a better deal elsewhere
- The commission arrangement did not affect the outcome
- The relationship between lender and dealer was obvious
- The level of commission was too low to have influenced the transaction

These arguments may be applied incorrectly or too broadly. We will review any such decisions carefully and challenge them where appropriate.

Our Assessment: Where the Scheme Falls Short

The FCA has framed this as a balanced and fair scheme. We respectfully disagree in several important respects. Whilst the scheme provides a mechanism for compensation, there are structural problems with its design that consumers should understand before accepting any offer made under it.

1 Lenders mark their own homework

Under the scheme, lenders themselves determine whether compensation is payable and how much. The Financial Ombudsman Service can only assess whether the lender followed the scheme rules, not whether the consumer deserved more under wider legal principles.

2 A formula, not justice

The hybrid formula is a blunt instrument. It does not examine individual facts, specific circumstances, or the full range of court remedies. For many consumers, the true loss assessed by a court could be materially higher.

3 Narrower scope than consulted on

The final scheme covers 12.1 million agreements, down from 14.2 million proposed. The FCA tightened eligibility in response to industry pressure. A meaningful number of consumers with genuine losses will not be covered.

4 Interest rate limitations

Consumers can no longer challenge the interest rate applied to their compensation, removing a lever that could have increased awards for those who suffered loss over a long period.

5 Designed for the average, not for you

The scheme necessarily involves averaging, standardisation, and caps. Cases involving serious misconduct, or circumstances within the Full Commission category, may not be fully reflected by a standardised formula.

EXPERT ECONOMIC REVIEW UNDERWAY

Given that the FCA's published rules (PS26/3) extend to over 800 pages, we have instructed an independent expert economist to carry out a detailed technical review of the scheme's compensation methodology, interest rate framework, and eligibility thresholds. This will allow us to identify cases where the standardised formula may produce a materially lower outcome than an individually assessed court claim. We will provide a further update once that review is complete.

Why a Court Claim May Produce a Better Outcome

The FCA has acknowledged that consumers may choose not to participate in the redress scheme and instead pursue claims through the courts, where they may receive more (or less) depending on the facts. For clients whose cases are properly prepared and legally advised, the position is very different from an unrepresented individual.

<p>FULL RANGE OF REMEDIES</p> <p>Courts apply the full discretion under section 140B of the Consumer Credit Act 1974 to make any order considered just and equitable, not constrained by an averaging formula.</p>	<p>SETTLED LEGAL PRINCIPLES</p> <p>The Supreme Court in Johnson v FirstRand confirmed unfair relationships in clear terms. The legal landscape is significantly more certain than the FCA implies.</p>	<p>POTENTIALLY HIGHER AWARDS</p> <p>In DCA cases with high commission, there is a strong likelihood that courts may award considerably more than the scheme formula produces, particularly where the dealer's financial incentive was strong.</p>
<p>SRA-REGULATED SOLICITORS</p> <p>As SRA-regulated solicitors, we can litigate on your behalf and assess whether a court claim is likely to produce a superior outcome. Claims management companies cannot do this.</p>		

We are not advising every client to go to court. Our point is simpler: do not assume that accepting the scheme offer automatically represents the best outcome for you. That is exactly the assessment we will be conducting on your behalf.

Remember: Time Limits May Affect Your Claim

Some claims may be rejected by lenders on the basis that they are out of time (legally time-barred). However, the FCA has confirmed in PS26/3 that where key information was not properly disclosed, the normal time limits may be extended. In practice this means:

- Many claims involving discretionary commission or undisclosed relationships are still valid, even if the agreement ended more than six years ago.
- Some claims involving commission only (without other features) may be more vulnerable to time-limit arguments, but this is fact-specific and should not be assumed.

If your lender says your claim is "out of time", this does not necessarily mean they are correct. We will assess and challenge this where appropriate.

Timeline: What Happens Next

The FCA has set a phased implementation timetable. The dates below are the key milestones you should be aware of.

DATE	WHAT HAPPENS
30 March 2026	FCA publishes final scheme rules (PS26/3). The Motor Finance Consumer Redress Scheme is now confirmed and legally in force.
30 June 2026	Implementation begins for post-2014 agreements. Lenders must begin formally assessing claims for agreements taken out from April 2014 onwards.
31 August 2026	Implementation begins for pre-2014 agreements. The same assessment and notification process begins for earlier agreements.
By September 2026	Lenders must notify existing complainants. Consumers who have already complained must be told whether compensation is due and how much.
By November 2026	Lenders must proactively contact consumers who have not yet complained but may be owed money.
31 August 2027	Final deadline for consumers who have not been contacted by their lender to submit a complaint.
End of 2027 / Early 2028	Most claims expected to be fully settled with redress payments made to eligible consumers.

Important: If your lender contacts you with an offer at any point during this timeline, do not respond or accept anything before speaking to us first. Acceptance is final and cannot be undone.

Do Not Accept Any Offer Without Speaking to Us First

THERE ARE NO SECOND CHANCES

If you accept a compensation offer from your lender, whether through the redress scheme or otherwise, your claim will be treated as closed. You will not be able to reopen it.

Lenders will seek to settle claims efficiently for themselves. Under the scheme, they control the initial determination. The offer they make may be calculated at the lower end of what the rules permit. Without independent advice, you may not know this.

<p>DO NOT ACCEPT</p> <p>Do not accept any offer, sign any documents, or click any acceptance links sent by your lender.</p>	<p>DO NOT RESPOND</p> <p>Do not respond to the lender confirming or rejecting their offer before speaking to us.</p>	<p>CONTACT US IMMEDIATELY</p> <p>Send us a copy of any correspondence received. We will review the offer and advise on the best course of action.</p>
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Already received a letter or offer from your lender?

Send it to us before you do anything else.

info@courmacslegal.co.uk | 0330 341 0481

A note on duplicate representation: Some lenders may not make it clear that accepting a settlement offer could leave you liable to pay our legal fees from any compensation received, without having benefited from our full advice. If you have inadvertently registered with another claims management company or law firm, including through comparison websites or social media, please let us know immediately. Only one firm can act for you on a single claim.

Confirming Your Instruction to Your Lender

Only use this wording if you have not already confirmed who represents you. If you are unsure whether you have done this, contact us before sending anything.

Template Confirmation Email

Subject: Representation Confirmation — Motor Finance Complaint

Dear [Lender Name],

I confirm that I only wish Courmacs Legal Limited to act for me in relation to my motor finance complaint. Please correspond with Courmacs Legal Limited going forward.

Kind regards,

[Your Full Name]

[Agreement Number if known]

[Agreement start date on or around...]

Registered with another firm? If you have inadvertently registered with another claims management company or law firm, including through comparison websites or social media, please let us know immediately. Only one firm can act for you on a single claim, and duplicate representation may delay or complicate your case.

Summary and Next Steps

1 The FCA scheme is now confirmed

It covers 12.1 million agreements from 2007 to 2024, with an average payout of £830. Implementation deadlines begin 30 June 2026.

2 The scheme has real limitations

Lenders determine their own liability, compensation uses a standardised formula, and caps apply in around one in three cases.

3 Expert economic analysis is underway

We have instructed an independent expert economist to review the 800-page PS26/3 rules in detail. We will report back once that analysis is complete.

4 Court claims frequently produce better outcomes

For properly prepared, legally represented claims, court awards are often higher than the scheme formula produces. We will assess your individual position.

5 Do not accept without speaking to us first

Acceptance is final. You cannot reopen a settled claim. Contact us immediately if your lender reaches out with any offer or correspondence.

6 We are assessing your case individually

No action is required from you at this stage. A further update and individual advice will follow once our review is complete.

Our success fee is only payable if your claim succeeds and is deducted from any compensation you receive. You will never receive a bill from us for an unsuccessful claim.

CONTACT US

If you receive any correspondence from your lender, another law firm, or a claims management company, or if you have any questions, please contact us immediately.

0330 341 0481

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[courmacslegal.co.uk](https://www.courmacslegal.co.uk)

COURMACS LEGAL LIMITED

We are SRA-regulated solicitors. We are bound by duties of care and confidentiality that go beyond the obligations of a claims management company. We are here to help.

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