

Hotspot

FCA Compensation Scheme for Car Finance Customers.



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FCA Compensation Scheme for Car Finance Customers

To help our clients we have pulled together the main points of the scheme and provided a link to the FCA complaints letter template below.

Millions of car finance customers to get payouts this year as FCA goes ahead with the FCA Compensation Scheme. 12.1 million agreements made between 2007 and 2024 are now eligible for compensation.

How the FCA Compensation Scheme will work

Motor finance loans taken out between 6 April 2007 to 1 November 2024 are covered. There will be a short implementation period so firms can prepare. This will be up to:

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



Lenders will have 3 months from the end of the implementation period to inform complainants whether they're owed compensation and how much. This means that people who have already complained or who complain before the end of the relevant implementation period will be compensated sooner.

>> FCA Complaints Letter Template <<

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Lenders will only contact people who haven't complained if they are likely to be owed money. They have 6 months from the end of the relevant implementation period to do so. This avoids unnecessary and potentially confusing communication with people who won't get compensation. **Anyone not contacted has until 31 August 2027 to make a claim.**

People will only be compensated if they were not told clearly that either:

1. Their dealer or broker set the interest rate to earn more commission (using a discretionary commission arrangement – DCA).
2. The commission was high – at least 39% of the total cost of credit and 10% of the loan.
3. The dealer or broker was using one lender or gave one lender the right of first refusal, (a so-called tied arrangement), except where lenders can evidence that there were visible links with a manufacturer and franchised dealer. For example, where they shared a common or similar name.

Interest will be paid on compensation, based on the annual average Bank of England base rate per year plus 1%, at a minimum of 3% in any year.

Consumers can choose not to take part in the FCA's compensation scheme and instead go to court, where they may get more or less compensation, based on the facts of their case. However, the outcome of a court claim is uncertain and accounting for legal fees they may pay, many consumers could end up with less. The FCA's scheme is also likely to be faster and simpler.



Advice for motor finance customers:

- If you are concerned you were treated unfairly, make a complaint. People who complain before the relevant implementation period ends will be compensated sooner.

- There is information on how to complain for free on the FCA website. There is no need to use a claims management company or law firm. If you do, you could lose over 30% of any money you get.
- If you don't complain and are owed money, your lender should contact you by end 2026 for post 1 April 2014 agreements and end February 2027 for agreements started between 6 April 2007 and 31 March 2014.



- Watch out for scams. You can check you are dealing with your genuine lender using the contact details listed on the FCA website or through the FCA's new motor finance scams helpline. You shouldn't pay a fee to access compensation, or share sensitive details such as your PIN or online banking details.

[To view the full article on the FCA website, please click here](#) ⁶

Best wishes for a Happy Easter holiday!

RAY

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