



Nikhil Rathi  
Chief Executive  
Financial Conduct Authority  
12 Endeavour Square  
London  
E20 1JN

By email

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## Motor Finance

Dear Nikhil,

Thank you for your letter of 4 August regarding the Supreme Court's decision in the cases of *Hopcraft*, *Johnson*, and *Wrench*. The Committee recognises that the FCA has worked at pace to respond to these developments and that the forthcoming consultation on an industry-wide redress scheme will set out its approach in detail.

However, the Committee is concerned by certain aspects of the FCA's forthcoming redress scheme which you set out in your letter and market statement. Given the need to ensure the integrity of the motor finance market, and to provide certainty to consumers, as you note in your letter, the Committee considers it of importance to receive answers to the following questions.

1. The FCA thinks that the forthcoming redress scheme should cover motor finance agreements dating back to 2007, on the basis that this is consistent with consumers' rights to take complaints to the Financial Ombudsman Service (FOS). Given that the basis of the claims for which any compensation would be payable will primarily be based on a breach of the Consumer Credit Act, the Committee considers that a period which is aligned with the limitation period for bringing a claim in the courts, specified by the Supreme Court, may be more appropriate.<sup>1</sup> What legal advice has the FCA taken on this point? What legal grounding underpins the FCA's proposed timeframe?
2. The FCA has estimated that the total cost of the proposed redress scheme to industry may be between £9 billion and £18 billion, on the basis that it covers agreements dating back to 2007. The FCA's indicative estimate of the scale of redress is particularly important given the impact on the share price of listed lenders and the need for an orderly market. What modelling has the FCA undertaken on the

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<sup>1</sup> The Committee understands that the Supreme Court has held that a claim arising from an unfair relationship under the Consumer Credit Act (1974) should be brought within six years of the date on which the relationship arising out of the finance agreement ended. See: *Smith v Royal Bank of Scotland* [2023] (UKSC 34), 4 October 2023.

indicative cost of a redress scheme with a time frame in line with the six-year limitation period for complaints brought in the courts?

3. The FCA has acknowledged that its proposed timeframe will likely present challenges to both consumers and firms in recovering and processing records, and you noted on 3 August that “[t]here will be potentially several billion of admin costs.”<sup>2</sup> What work has the FCA undertaken to model the administrative costs that a redress scheme covering agreements dating back to 2007 would impose on firms, and how does the FCA intend to ensure such costs are proportionate to the amount of redress paid?
4. Noting the Committee’s concerns as set out above, can the FCA substantiate its view that it expects “a healthy finance market for new and used cars to continue notwithstanding any redress scheme we propose”?<sup>3</sup> The Committee expects the FCA to share the modelling it has undertaken, either publicly or privately, on the likely impact that redress at the estimated scale will have on the integrity of the motor finance market in the UK.

The Committee has emphasised the need to avoid regulatory unpredictability and has been consistent in its view that market uncertainty around redress, as well as the broader burden of regulation, risks rendering certain financial services prohibitively expensive for UK consumers. Noting the importance of the motor finance market to consumers, the Committee requests the FCA to appear before the Committee in September to respond to our concerns.

I look forward to hearing from you.

Yours sincerely,



The Rt Hon. the Lord Forsyth of Drumlean PC Kt  
Chairman, Financial Services Regulation Committee

Members of the Committee have declared interests in relation to financial services. They are published on the Committee’s webpage, [here](#). A list of all Members’ interests is available in the Register of Interests, [here](#).

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<sup>2</sup> FCA, [Market analyst motor finance briefing](#), 3 August 2025, p 14

<sup>3</sup> FCA, [FCA to consult on a compensation scheme for motor finance customers](#), 3 August 2025 [accessed on 6 August 2025]. Full statement: “We have been analysing the potential impact of a redress scheme on firms and the motor finance market. We expect a healthy finance market for new and used cars to continue notwithstanding any redress scheme we propose. We will set out more detailed analysis in our consultation and continue to monitor market functioning.”