

Motor Finance Redress Scheme: FCA confirms the rules – now the real work begins

Yesterday (30th March 2026), The FCA announced the [motor finance redress scheme](#). After months of speculation following a [consultation proposal in October 2025](#) the full details of the scheme have been announced.

[The FCA's PS26/3](#) confirms the final rules for the motor finance redress scheme. And although the scheme is better for dealers than the consultation was, dealers still should prepare for increased customer contact, clearer expectations on historic sales records, and closer scrutiny of how they support lenders in delivering the scheme. This is not a dealer led redress exercise, but it will shape workloads, customer interactions, and operational readiness across dealer networks. The watchwords are 'operational readiness'.

To help identify the key elements, we have put together a table of themes, the proposals and their final scheme results.

Item	Theme	Consultation Proposal (October 2025)	Final Scheme (March 2026)	Impact
1	Overall Scheme Scope	~14.2m agreements potentially in scope	12.1m agreements confirmed in scope	~15% reduction driven by refined definitions, de minimis thresholds, and exclusions
2	Definition of "Material Commission Arrangements"	Broad: DCAs, high commissions, exclusivity	Must be undisclosed and material. High commission = $\geq 39\%$ of total cost of credit AND $\geq 10\%$ of loan amount	Focuses on genuinely distortionary structures; removes marginal cases.
3	De Minimis Thresholds	None	Pre-2014: $> \text{£}120$ commission. Post-2014: $> \text{£}150$ commission	Excludes trivial cases; reduces administrative load and redress exposure

4	Johnson-Type Cases (Full Redress)	Not fully defined	~90,000 cases receive full commission + interest. Criteria: undisclosed contractual tie and/or DCA AND very high commission $\geq 50\%$ of total cost of credit and $\geq 22.5\%$ of loan	Clear, narrow definition ensures only the most unfair cases receive full refunds
5	Hybrid Remedy (All Other Cases)	Proposed average of estimated loss and commission paid.	Consumers receive average of estimated loss and commission paid, plus interest. Estimated loss based on APR differences between DCA and flat-fee loans	Provides a consistent, evidence-based remedy for the majority of cases
6	APR Adjustment – Post-2014	Not finalised	17% APR adjustment applied to agreements from 1 April 2014. Based on enhanced analysis using 2017–2021 data	Reflects improved dataset; aligns remedy with actual detriment
7	APR Adjustment – Pre-2014	Not finalised; data concerns noted	21% APR adjustment. Mid-point between 17% and 26%. Higher due to more harmful DCA practices and larger APR gaps in earlier years	Increases average redress for pre-2014 cases by £31; compensates for limited data availability
8	Redress Caps	Not proposed	Caps applied in ~1/3 of cases to prevent over-compensation	Major cost-containment measure; ensures proportionality
9	Exclusion: Lowest 5% APR (Non-0% Deals)	Not specified	Agreements where APR was in the lowest 5% of the market (excluding 0% APR) receive no compensation. ~64,000 agreements excluded	Recognises that these consumers probably already received unusually favourable pricing

10	Interest on Compensation	Not finalised	Simple interest at BoE base rate + 1%, with a minimum of 3% per year. Consumers cannot challenge the rate	Provides certainty; protects consumers in low-rate years; prevents disputes
11	Average Compensation per Agreement	Early modelling suggested £775	~£829 per agreement (assuming 75% claim rate)	Reflects narrowed scope, caps, and refined hybrid methodology
12	Treatment of Exclusivity Arrangements	All exclusivity potentially in scope	Excludes exclusivity where visible manufacturer–dealer links existed (e.g., OEM captive finance)	Major relief for franchised networks; reduces exposure for OEM-aligned dealers
13	0% APR Agreements	Potentially in scope	Explicitly excluded	Removes a large low-risk cohort
14	Low-Commission Agreements	Potentially in scope unless fairness proven	Excluded unless lender cannot evidence fairness	Further narrows scope; reduces case volumes
15	Consumer Contact Requirements	Firms expected to contact all potentially affected customers	Firms only contact complainants and customers owed redress. Recorded delivery not necessary	Major operational simplification; avoids mass and expensive mailing
16	Complaint Handling Rules	Pause during scheme design	Complaints resume under scheme rules; lenders must issue decisions within 3 months of identifying redress	Reduces backlog risk; clarifies process
17	Delivery Timelines	Indicative only	Hard deadlines: 30 June 2026 (post-2014) and 31 Aug 2026 (pre-2014)	Two schemes in case a legal challenge delays the earlier claims

18	Estimated Industry Cost	~£11bn total; £8.2bn redress.	£9.1bn total; £7.5bn redress; £1.6bn costs	Reflects narrowed scope, caps, and operational efficiencies.
19	Supervision & Enforcement	High-level oversight	FCA to run dedicated supervisory team, require SMF attestations, and coordinate with SRA/ASA/ICO to police CMC/legal firm behaviour	Stronger governance expectations; increased scrutiny
20	Dealer/Broker Implications	Dealers not directly liable but may face indirect consequences	Same regulatory position; lenders expected to review historic dealer practices, commission models, and indemnities	Dealer risk remains commercial/contractual, not regulatory — but still material.
21	Data & Evidence Requirements	Firms expected to reconstruct historic data	FCA allows reasonable assumptions where data missing; lenders must evidence fairness for exclusions	Reduces burden but still requires robust audit trails

If you require any assistance regarding the FCA motor finance redress scheme, please get in touch below.

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