Commission Update

For

Vehicle Remarketing Association

24th September 2025

equiniti.com

Motor Finance – What has happened?

1st August 2025; The Supreme Court handed down judgement in relation to hidden commissions in motor finance

The court ruled that hidden commissions did not amount to bribery and that motor dealers did not need to prioritise the customers commercial interests above their own, so in many cases these commissions would not be unfair.

However, it ruled that in some circumstances specific to the customer or the arrangement, the presence of hidden commission could lead to an unfair relationship under the Consumer Credit Act meaning the commission payment was unlawful.

3rd August 2025; The FCA confirm they will consult on an industry wide redress scheme covering both DCA and hidden commissions

This is no real change on their previous statement in relation to discretionary commissions but provided clarity on the scope of the scheme including confirmation that the expected scope period will be from 2007 to date.

The consultation will be released in early October and is expected to outline how discretionary commission cases will be compensated as well as provide further guidance on how to determine if hidden commission cases would amount to an unfair relationship that would also require redress.

- Current expectations are that the FCA will announce a Proactive Remediation to commence in 2026
- Firms will be required to identify impacted customers and then invite them to either opt In or opt Out of any remediation exercise
- Both scenarios are designed to reduce the opportunity for CMCs to submit claims on behalf of customers, however we expect the CMCs to look for opportunities to be involved.

What reaction has this generated?

The Industry

Overall lenders and the Finance and Leasing Association (FLA) were relieved with the outcome, which has in all but a small minority of cases removed fixed commissions from having to be remediated.

In a statement the FLA said:

"This judgment is an excellent outcome. It properly reflects the role and responsibilities of dealers, lenders and customers, and it has restored certainty and clarity to the largest point-of-sale consumer credit market in the UK. In addition, it has also restored confidence to the sector, confirming that it remains a solid investable option – which in turn means the supply of affordable motor finance will continue for customers. The FCA now has the legal clarity to continue its work to establish if a redress scheme is needed, and of course the thousands of unfounded complaints submitted to lenders by claimant law firms and CMCs can now be removed from the system."

Firms are now planning for how to manage a proactive remediation, particularly if there is a requirement to remediate customers with agreements from 2007.

The FCA

The FCA moved quickly to issue guidance on the next steps following the Supreme Court ruling.

It confirmed customers that had already complained would not need to do anything. Customers who had not complained were encouraged to do so now.

Current estimate is customers will receive less than £950 per agreement with total bill likely to be between £9 billion and £18 billion.

The Media

Millions denied car finance compensation payouts after Supreme Court ruling

1 August 2025

BBC

MSE News

Martin Lewis: £18 billion in car finance compensation likely – are you one of millions due £100s?

UK Supreme Court overturns ruling on motor finance commissions in win for banks

Reuters

Preparing for a redress scheme

Understand your capabilities

Has anyone in the firm been through a remediation?
Identify key personnel who understand the history and commission structures. Their knowledge is key in building out treatment strategies.

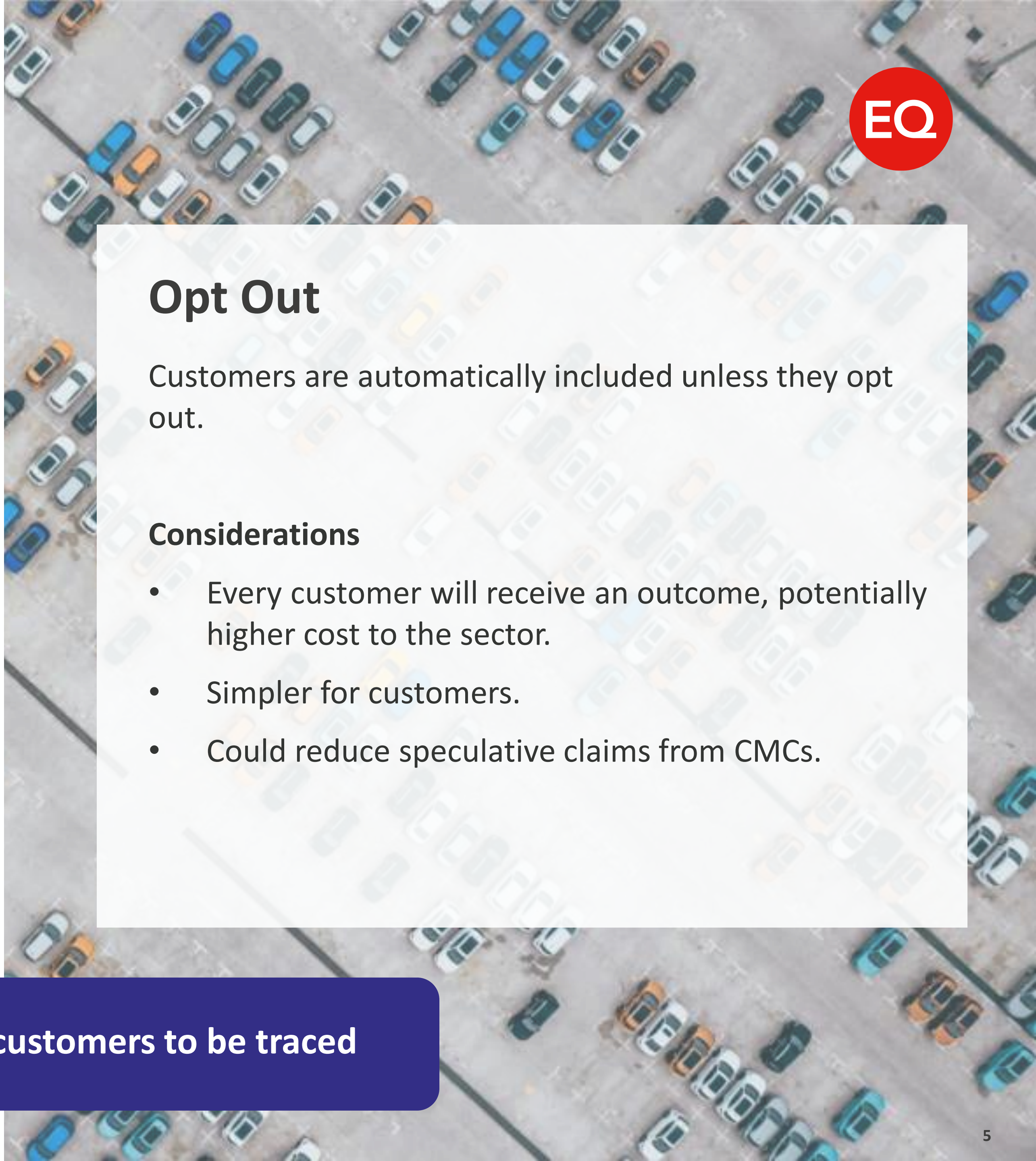
Know your available data

What data do you have?
How far back does it go?
Does the data provide the commission, all transactions, early redemptions etc. What does it tell you?

Achieve the right customer outcome

Not every loan will have had commission paid.
Understanding your data and cohorting is essential to achieve the right customer outcome.

Redress Scheme Options



Opt In

Customers would have to confirm to their firm by a certain date that they wish to be included.

Considerations

- May reduce the number of customers receiving compensation.
- Reliance on customers acting on calls to action from firms.
- some customers may be unsure which firms they had agreements with.
- Higher volumes of customers going via a CMC.

Opt Out

Customers are automatically included unless they opt out.

Considerations

- Every customer will receive an outcome, potentially higher cost to the sector.
- Simpler for customers.
- Could reduce speculative claims from CMCs.

Both options require customers to be traced

Example proactive remediation process

EQ

Cohort Assignment	Scenarios planned, treatment strategies agreed, case IDs generated and cases assigned to operational cohorts.
Tracing	Customer traced to confirm their addresses and whether they're living as stated.
Redress Calculation	Redress calculations completed.
Communication	Customers sent a resolution letter explaining the remediation activity.
Payment	Redress cheques issued to customers with the resolution letter.
Chasers	Our team will chase any customers with uncashed cheques.
Furthers	We anticipate a proportion of customers will contact us with queries and issues relating to the project.

Supporting services

Data analytics and reporting

ongoing management information regarding the project's progress.

Operations management and governance

dedicated team management for this operation, which will report into the senior management team.

Quality assurance and training

To review a portion of all cases completed to ensure our team's performance meets our service standards.

Clarity needed in the FCA's consultation

EQ

Redress Scheme Approach
Will it be opt in or opt out?

Time Period
Confirmation of all commission types that are included and the dates of affected customers.
Likely 2007 to 25th October 2024.

Complaints
Will these be closed, or transfer into a remediation scheme as a complaint?

Duplications
DSAR or complaint could be submitted by more than 1 firm or directly by the consumer
Clear guidance and legal considerations needed.

Right to off set
For anyone behind on payments is it appropriate to off set the redress against the debt?

Missing data
What lengths do the FCA expect firms to go to and close missing data gaps.

Unfair Relationships
Clear guidance on what this constitutes and needs to include

Redress Methodology
How do the FCA want the redress calculating, they've indicated they'd like to keep this simple

FOS
Will have to align their decisions with those of the redress scheme.

How to operationalise a remediation

Capability components

RESOURCING
Existing staff or interim workers

TRACING
Identifying customers via electronic searches and forensic tracing for 'gone aways' and proof of life

TECHNOLOGY
IT hardware, connectivity, case management, and data storage

PRINT & MAIL
Mailing and reprographics capabilities to handle inbound and outbound correspondence

LOCATION
In-house, remote workers, hybrid workers, UK outsource, or offshore

PROCESS CONSULTANCY
Identifying and documenting efficient processes and continuously implementing innovation

PAYMENTS
Redress calculation and payment capabilities, as well as integration to technology

CUSTOMER SERVICE
Establishing contact centre capabilities required to handle multi-channel queries

Thank you

Any questions or feedback?

Contact Details

Anthea Coulter
Account Director
anthea.coulter@equiniti.com
07833 793 286