

# Car finance misconduct probe could lead to compensation payouts

The City regulator is reviewing whether people could be owed compensation for being charged too much for car loans, following a high number of complaints on historic agreements.

The Financial Conduct Authority (FCA) said it was a reaction to rising tensions between consumers and lenders over so-called discretionary commission arrangements across the motor finance market – a practice that was banned in 2021.

It promised that settlements would be sought should widespread misconduct before that time be found.

The Financial Ombudsman Service (FOS) said it had heard from more than 10,000 people and “many more are waiting in the wings.”

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It has previously resolved complaints in favour of the consumer, finding unfair arrangements between the lender and the motor dealer.

The FOS hit out, last month, at a [growing use of claims management firms](#) by consumers to handle their complaints on the issue which, it said, had hit a five-year high.

The ombudsman, a free arbiter on such issues, said claims submitted by a third party were only being upheld at a rate of 8% compared to 42% on a direct basis.

The FCA banned incentives for brokers to increase the interest rate that a customer pays for their motor finance in 2021 on

the grounds that consumers could pay over the odds.

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It said on Thursday that motor finance firms had rejected most complaints relating to finance deals prior to the ban because they believed they had not acted unfairly nor caused customer loss due to the regulatory requirements of the time.

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The FCA said it would pause the 8-week deadline for motor finance firms to provide a final response to relevant customer complaints.

The watchdog also declared that consumers now have up to 15 months to refer their complaint to the FOS, rather than the usual six months.

Stephen Haddrill, director general of the Finance & Leasing Association said: "We welcome today's announcement as the pause will ultimately provide certainty for firms and customers after a period where speculative and unfounded

complaints issued by claims management companies have congested what should be a smooth, prompt and clear process.

“We will work with the FCA over the coming months to resolve this issue.”

Sue Robinson, chief executive of the National Franchised Dealers Association which represents car and commercial retailers, responded: “NFDA will support its members and monitor any further developments from the Financial Conduct Authority (FCA) and Financial Ombudsman Service (FOS) on this issue.

“The FCA are engaging with NFDA and have requested a meeting as soon as possible.”