Complaints about car finance and motor insurance hit five-year high

The financial ombudsman has reported a surge in complaints about car finance and motor insurance, with each standing at a five-year high.

The Financial Ombudsman Service (FOS), which is a free arbiter of complaints between consumers and financial services businesses, revealed its latest claims volumes amid a leap in costs for many products under its remit.

Interest rate rises imposed by the **Bank of England** to tackle **inflation** have added to borrowing costs widely, with mortgages getting the most attention.

The average annual rate paid by new car borrowers has more than doubled since the start of 2022, according to auto industry data.

While motor insurance policies have also been affected by the Bank's actions, rises of around 50% also reflect higher repair costs and other specific issues.

Premiums were recently reported to have hit **record highs** by an industry body, rising 29% in 2023 alone.

The FOS said it is increasingly hearing from people who are worried about whether they can pay their finance deals.

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The ombudsman said during the third quarter of the year it received 4,622 motor-related complaints about hire purchase and 1,569 about conditional sale agreements.

On the insurance side, there were 4,036 complaints about car and motorcycle cover.

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In total, disputes arising from both the financing and insuring of people’s cars, motorcycles and caravans reached 11,869 complaints – almost double the volume seen between July and September last year.

The ombudsman used its update to voice additional concern over complaints submitted by claims management firms and other professional representatives who act on behalf of consumers.

The service said it was seeing only an 8% uphold rate in this area, compared to a rate of 42% when similar cases were brought directly by consumers.

Last week, the FOS launched a consultation on new powers to charge claims management companies and similar operatives for submitting a complaint on behalf of a client.

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James Dipple-Johnstone, deputy chief ombudsman said: “While professional representatives can play an important role in resolving financial disputes, we’re seeing too many

speculative and poorly evidenced complaints.

“The vast majority of motor finance complaints are now brought by professional representatives.

“We’re seeing a mix of both good and bad practice, but with an uphold rate of just 8%, it’s clear some representatives could do more to learn from our established approach about which cases are likely to have merit and advise their clients accordingly.

“It’s important to remind consumers also that they do not need to use a professional representative as our service is free, independent and easy to use.”