



FCA's final motor finance redress scheme:

**What has changed
and what lenders
need to do now**



Motor finance consumer redress scheme

The starting gun has fired

On the 30th March 2026, the FCA published its final motor finance consumer redress scheme – the largest structured redress exercise the UK retail lending market has faced since PPI. The clock is ticking and several obligations have already started.

PS26/3: Motor finance consumer redress scheme

What the FCA has decided

Two separate schemes address the same core issue: widespread inadequate disclosure of commission arrangements giving rise to unfair relationships under s.140A of the Consumer Credit Act 1974.

- Scheme 1 covers agreements from the 6th April 2007 to 31st March 2014
- Scheme 2 covers agreements from the 1st April 2014 to the 1st November 2024
- An estimated 12.1 million agreements are in scope, less by 2.1 million from the October 2025 estimate

A relationship is presumed unfair when there was inadequate disclosure of a discretionary commission arrangement (DCA), a high commission arrangement (greater than or equal to 39% of the total cost of credit and greater than or equal to 10% of the loan value), or a contractual tie that gives the lender exclusivity or a right of first refusal.

Cases closely mirroring the Supreme Court's Johnson facts receive a full commission refund plus interest.

All other scheme cases use the hybrid remedy – the average of commission repayment and an APR adjustment (17% for Scheme 2, 21% for Scheme 1) – subject to three caps designed to prevent over-compensation.



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A structured, data-driven approach will be critical to managing the compensation scheme at this scale to deliver fair outcomes for customers.

Joe Norburn
TCC Group - CEO

What changed from CP25/27?

The final rules differ materially from the October 2025 consultation. Firms that modelled exposure or planned operations against CP25/27 need to revisit both.

➤ One scheme became two

CP25/27 proposed a single scheme. The final rules create Scheme 1 and Scheme 2 with separate rules instruments, implementation periods, de minimis thresholds and APR adjustment factors. Firms must operationalise two parallel processes.

➤ Implementation periods introduced

CP25/27 proposed that the scheme start the day after the policy statement was published, with no preparation time. The final rules give firms three months for Scheme 2 and five months for Scheme 1, but obligations begin immediately (see timelines below).

➤ High commission threshold raised from 35% to 39%

The consultation proposed 35%/10%; the final rules set 39%/10%. This alone reduces the eligible population from 14.2 million to 12.1 million agreements. Firms that modelled at the 35% threshold need to rerun their exposure estimates.

➤ De minimis thresholds introduced

These were absent from CP25/27. Agreements where the total commission was below £120 (Scheme 1) or £150 (Scheme 2) are screened out entirely before any liability assessment. This creates a new pre-screening step that reduces processing volume.

➤ Zero APR agreements excluded

A new carve-out that was not consulted on is where a motor finance agreement carried a zero APR, no relevant arrangement can exist. Firms with 0% promotional finance products should review their portfolios.

➤ Captive and white-label tied arrangements are excluded

CP25/27 proposed no specific carve-out for manufacturer-affiliated networks. The final rules except captive and white-label ties where visible links existed between the lender, manufacturer and franchised dealer – significant relief for original equipment manufacturer (OEM) affiliated captive lenders.

➤ Three caps added to the hybrid remedy

CP25/27 originally set out the hybrid remedy without any caps. The final rules now limit redress to the lowest of three amounts:

1. 90% of commission plus interest; the realised total cost of credit (TCC)
2. adjusted to reflect a minimum cost of credit
3. an unadjusted realised TCC cap

These limits are designed to avoid paying more redress than is appropriate for early-settled agreements, which account for around 53% of cases. Redress calculators must apply all three caps.

➤ Rejected complainants reclassified from opt-out to opt-in

CP25/27 included consumers who complained and were rejected by the lender in the opt-out cohort. The final rules treat them as opt-in and they must be proactively identified and invited to join within the opt-in deadlines.

➤ Requirement to contact consumers without relevant arrangements removed

Firms no longer need to proactively notify consumers where no relevant arrangement is present. This significantly reduces communication volumes.

➤ Recorded delivery and prescriptive administrative content requirements dropped

CP25/27 required recorded delivery for consumer letters, which is no longer required. Administrative communication content requirements have been simplified, though substantive regulated letter content (set out in scheme annexes) remains mandatory.

The timelines that matter

Net effect

The changes are broadly positive in terms of scope and operational burden. Although the eligible population is smaller, new caps limit redress, captive arrangements are carved out and customer communications have been simplified. However, running two schemes, meeting immediate notification requirements and reclassifying rejected complainants adds operational complexity. Any assumptions based on CP25/27 will need to be revisited.

The FCA will publish transparency data on firm progress throughout. Supervisory engagement begins during the implementation periods, not after them.

Deadline	Obligation	Who / what
By 22nd April 2026 (15 working days post-policy statement)	Notify FCA of intent to use implementation period, provide name and contact details of designated Senior Manager.	All in-scope lenders – mandatory
By 6th May 2026 (six weeks post-policy statement)	Submit scheme implementation plan and delivery forecast. Senior Manager attestation of readiness required.	All lenders – mandatory
30th June 2026	Scheme 2 implementation period ends. Full operational readiness is required from this date.	Scheme 2 lenders
31st August 2026	Scheme 1 implementation period ends. Full operational readiness is required from this date.	Scheme 1 lenders
30th September 2026	Provisional redress decisions due to Scheme 2 existing complainants (three months post implementation period end).	Mandatory deadline
30th November 2026	Provisional redress decisions due to Scheme 1 existing complainants.	Mandatory deadline
31st December 2026	Opt-in invitations to Scheme 2 non-complainants with a relevant arrangement (six months post implementation period end).	Mandatory deadline
28th February 2027	Opt-in invitations to Scheme 1 non-complainants with a relevant arrangement.	Mandatory deadline
31st August 2027	Deadline for non-contacted consumers to join either scheme.	Consumer-facing, operationally significant

Priority actions for the first 90 days

The implementation periods are not a breathing space but a window in which firms must build credible delivery capability. The following actions are sequenced by urgency.

1 Designate your Senior Manager and notify the FCA (by 22nd April)

This is a hard two-week deadline. Identify the right individual, formally document their role and notify the FCA. Establish governance arrangements before you're asked to account for them.

2 Rerun your exposure model against the final rules

The 35% to 39% high commission threshold change, de minimis thresholds, the captive carve-out and zero APR exclusion all affect your eligible population. Any liability estimate built on CP25/27 is now stale.

3 Audit your data and establish your starting population

Map agreements by scheme, arrangement type and data completeness. Scheme 1 data – up to 19 years old – requires particular urgency. Engage brokers and legacy data sources now, not when deadlines arrive.

4 Submit a credible scheme implementation plan (by 6th May)

The scheme implementation plan (SIP) should clearly explain how you will make cohort decisions, identify relevant arrangements, apply any limitations and rebuttals, operate quality assurance and manage outsourcing. It should be treated as a practical delivery plan, not a tick-box compliance exercise.

5 Build and validate your redress calculator

The hybrid remedy, including all three caps and the scheme-specific APR adjustment factors, must be designed, tested and approved before provisional decisions begin. For Scheme 2, there are only three months after the implementation period to do this, so timelines will be tight.

6 Design and test consumer communications

Each customer communication must meet specific requirements set out in the annexes. Draft, test for accessibility and obtain sign-off for all letter templates before the implementation periods end. Allow time for delivery at scale, managing print, digital and multi-channel distribution often takes longer than expected.

7 Establish your QA framework

The FCA may request evidence of second-line oversight or independent assurance. Build your QA model now, covering both case-level and cohort-based decisions. If using automated decisioning, document how outputs are being quality-assured.



Questions worth asking now

Firms that approach this compensation scheme as a sequenced programme, with clear ownership, honest data and a credible implementation plan, will be best placed to meet expectations.

- Have we refreshed our exposure model against the final rules, not CP25/27?
- Is our SIP a genuine operational plan or a compliance exercise?
- Do we know our Scheme 1 data gaps and have we already engaged the brokers and legacy sources we need?
- Is our designated Senior Manager genuinely equipped to attest to readiness at week six?
- Are our consumer communications designed to deliver informed decision-making, or just to satisfy the annex requirements on paper?

Our capability to meet your specific requirements

We are working with firms right now who are actively preparing for a surge in complaints and remediation. The combination of our regulatory expertise, tech capability and tailored compliance solutions means we can offer a truly unique solution.

Regulatory expertise

Our experience in resolving highly complex regulatory challenges means we can advise your business every step of the way towards delivering a compliant project with good customer outcomes.

Highly skilled interim resource

TCC and Momenta have a deep pool of highly effective interim resource. We have access to over 40,000 contractors and understand their capabilities, enabling us to select the right resources for any job.

Automation and AI

Our purpose-built tech solution offers efficient, accurate and cost-effective outcomes. Our redress tech workflow is already live and has processed over one million cases through our purpose-built motor finance redress workflow.

Proven execution

Together, we have delivered over 50 remediation projects from start to finish, driving timely and accurate results. Our team mobilises resources quickly, ensuring efficient and compliant project execution, so that you can focus on core business priorities.

Our intelligent compliance solutions are tailored to your specific needs

Compliant outcomes

Implement a model that adheres to regulatory standards and industry-wide best practices, delivering compliant customer outcomes.

Operational efficiency

Ensure the prevention of backlog accumulation by deploying resources strategically aligned with anticipated peaks.

Operational resilience

Maintain a flexible, skilled workforce, supported by service level agreements, to bolster operational capacity when needed.

Rapid response to demand

Offer industry-leading response times for the recruitment and training of essential resources.

Service models

Our flexible advisory and resourcing models deliver timely expertise to manage regulatory risk and workload fluctuations, tailored for you. All models can work with your technology platforms - or we can underpin the project with specialist AI-powered technology proven to deliver up to 85% efficiency savings over a people-only solution.

01 / Advisory

- Our industry experts can be deployed to support your firm's preparations to design efficient processes, manage risks and ensure appropriate measures are taken to achieve regulatory compliance.
- Working to support your business both strategically and operationally, we provide a wrapper of expertise to ensure your business gets it right the first time.

02 / Resource augmentation

- Our resource augmentation model provides high-quality experienced resource to support your needs. We support your internal team and infrastructure, with roles from claims handlers up to program leads.
- We help you minimise costs by providing the right level of experience and expertise for the job.
- Resource engagement is on a rate-per-day contract. All types of roles can be supported and deployed swiftly.
- The use of our interim resource offers significant flexibility and allows us to deploy people with ten working days' notice.

03 / Managed services

- We can go beyond deploying resources to your organisation for you to manage. As part of our tailored managed service offering, we also provide all operational control and oversight to ensure your objectives are delivered.
- We create a delivery plan that works for you.
- We can also design quality and risk management frameworks and produce real-time reporting on all deliverables.
- We offer competitive pricing and flexible model options, including fixed-price, cost-per-case / time / materials.

04 / Offshore support

- Whilst traditionally focused on providing high-quality resources in the UK, we can also provide a cost-effective, offshore operation based in South Africa. Our mission is always to deliver excellent customer outcomes.
- Our solution enables the design, implementation, and execution of a high-quality solution, backed and fully assured by our UK leadership and delivery teams, with circa 40% cost savings.



How we can help

Our regulatory experts can talk you through the scheme and offer practical steps and redress support to ensure you meet the regulator's deadlines.



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