

## UK Drivers Could Receive £950 Over Car Finance Mis-Selling

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Hundreds of thousands of motorists across the United Kingdom may be entitled to compensation of up to £950 each following an industry-wide investigation into historic car finance mis-selling, according to the UK's financial regulator.

The Financial Conduct Authority (FCA) is examining widespread complaints related to “discretionary commission arrangements” between motor finance lenders and car

dealerships. These agreements, which were banned in 2021, allowed dealers to raise interest rates on finance deals in exchange for higher commissions, a practice that may have led to customers being charged more than necessary.

According to the FCA, more than 10,000 complaints about these arrangements have already been submitted, with many rejected or unresolved by lenders. As a result, the regulator announced it is proposing a formal redress scheme that could see drivers compensated. The potential payout range is estimated to total between £6 billion and £16 billion across the sector.

Drivers who entered into car finance agreements, particularly those signed before the 2021 rule change, are being urged to check their contracts. If the finance deal included a discretionary commission, they may be eligible to join the redress scheme, which is expected to be finalised next year.

FCA Chief Executive Nikhil Rathi said: “Given the scale of potential harm, and the risk of inconsistent outcomes for consumers, we are proposing a redress scheme that will ensure fair treatment across the board.”

The regulator is currently consulting on the proposed scheme and has implemented a pause on new complaints and ombudsman claims until 25 September 2025. This temporary freeze is intended to ensure all eligible cases are treated consistently under the new process once finalised.

Consumer groups have welcomed the FCA’s action but cautioned that many motorists remain unaware of the issue. Martin Lewis, founder of MoneySavingExpert, said: “This could be the next big financial mis-selling scandal. If you financed a car in the past, it’s worth checking if you’re affected.”

Eligible customers will not need to take immediate action. Once the FCA’s rules are finalised, affected individuals will be informed of how to claim under the scheme. The process is expected to be simple and free to access.

Experts advise keeping records of old car finance agreements and staying alert for announcements from the FCA and major lenders in the months ahead.