

## Supreme Court Ruling Limits Scope of Car Finance Compensation Claims

August 2, 2025

— Categories: Finance



[Download IPFS](#)

Millions of UK motorists expecting compensation over car finance arrangements have been denied payouts following a landmark ruling by the Supreme Court. The judgment reverses an earlier decision by the Court of Appeal, effectively narrowing the grounds on which customers can claim redress for potentially unfair commission arrangements between lenders and car dealers.

At the heart of the case was whether car dealers had a legal duty to act in the interests of customers when arranging finance deals. The court concluded they did not, undermining widespread claims that commissions based on interest rates constituted an unfair practice. The ruling significantly reduces the scope for large-scale compensation claims, previously estimated to reach as much as £44 billion.

The Financial Conduct Authority (FCA), the UK's main financial regulator, responded by stating it "welcomes that the Supreme Court has clarified the law." A spokesperson confirmed that the regulator will decide by Monday morning whether to consult on establishing a redress scheme. The FCA emphasised its commitment to ensuring fair treatment for consumers and maintaining trust in a motor finance market relied upon by around two million people annually.

Consumer finance expert Martin Lewis advised individuals not to take immediate action. Speaking on BBC Radio 5Live, he cautioned against engaging claims management firms, which could take a portion of any payout even if a future scheme offers automatic compensation. "Sit on your hands," Lewis advised, noting that any credible redress mechanism would likely clarify who is entitled to money without requiring additional effort from consumers.

Although the ruling limits the scale of eligible claims, some motorists may still receive compensation. The sole successful claimant in the test cases, Marcus Johnson from Cwmbran, South Wales, welcomed the result for his family but expressed concern for others. He told *BBC Radio Wales* that many customers may remain unaware of how their finance deals were structured. "I was just told I'll be paying this monthly payment for this many months. And I just thought, 'great,'" Johnson said.

He added that while his claim was "a massive win" for his family, "it's a bit of a pinch of salt for everybody else involved." Johnson urged car buyers to ask detailed questions before signing finance agreements in the future.

The original complaint focused on "discretionary commission arrangements," a model that incentivised dealers to secure higher interest rates in exchange for greater commission from lenders. These arrangements were banned by the FCA in January 2021, but the question remained whether past agreements constituted unfair treatment.

While some form of compensation may still be available depending on the FCA's decision, the legal pathway for mass claims has now been significantly constrained. Martin Lewis estimates the new potential payout range is between £5 billion and £15 billion, below earlier projections.

The FCA has pledged to consult widely if a scheme is proposed, likely including input from consumers, lenders and dealerships. A decision is expected before markets open at 08:00 BST on Monday, 4 August.