

## Chancellor's Involvement in Car Finance Scandal Criticised as 'Disgraceful'

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Chancellor Rachel Reeves's efforts to intervene in the ongoing car finance scandal have drawn sharp criticism from Bobby Dean, Liberal Democrat Member of Parliament and Treasury committee member, who described her attempts to support the finance industry over consumers as "unprecedented and disgraceful."

Dean warned that such actions send a “really bad message” about the government’s stance on consumer rights. He argued that government support for lenders, despite clear judicial findings of wrongdoing, undermines consumer confidence.

“What message does it send to consumers that the industry can do wrong, the courts acknowledge it, but the government is ready to defend the industry instead of the consumer? That’s a really bad message,” he said. He also suggested the government often prioritises business interests at the expense of consumer rights.

The controversy centres on a recent Supreme Court ruling that largely favoured finance companies, enabling lenders to avoid a potential £44 billion compensation bill. Reeves’s intervention included an attempt to influence the January hearing, urging judges to avoid awarding what she termed “windfall” compensation to borrowers. This intervention was rejected by the court.

Further criticism arose after reports suggested the Chancellor considered using retrospective legislation to overturn the court’s decision if it fully upheld the previous October Court of Appeal ruling. That ruling had deemed certain commission payments from lenders to car dealers unlawful unless fully disclosed to borrowers. This could have triggered vast compensation claims against major lenders such as Lloyds Banking Group, Santander UK, Barclays, and Close Brothers, potentially sparking a redress scheme comparable to the £50 billion payment protection insurance scandal.

The car loan industry, represented by the Financing and Leasing Association (FLA), had actively lobbied the government out of concern that a large compensation payout could jeopardise lender stability and restrict credit availability. Adrian Dally, head of motor finance at the FLA, welcomed the Supreme Court’s ruling and emphasised the industry’s importance to the national economy. “This industry is vital for millions who rely on credit to get to work or school,” he said, rejecting claims the Treasury favoured lenders over consumers.

Dean, however, warned that government interventions to protect industries from consumer redress claims could set a dangerous precedent. He maintained that effective compensation schemes are crucial to maintaining borrower confidence, ensuring companies are held accountable for unfair practices. “The best industry is one where redress systems are not needed because everyone plays by the rules,” he added.

The Financial Conduct Authority (FCA) is expected to announce its decision on whether to proceed with a compensation scheme before the markets open on Monday.

A Treasury spokesperson responded by affirming the importance of affordable motor finance for consumers and respecting the Supreme Court's judgment. The spokesperson confirmed ongoing work with regulators and industry to assess the ruling's impact and highlighted planned reforms to the Financial Ombudsman Service and the Consumer Credit Act.