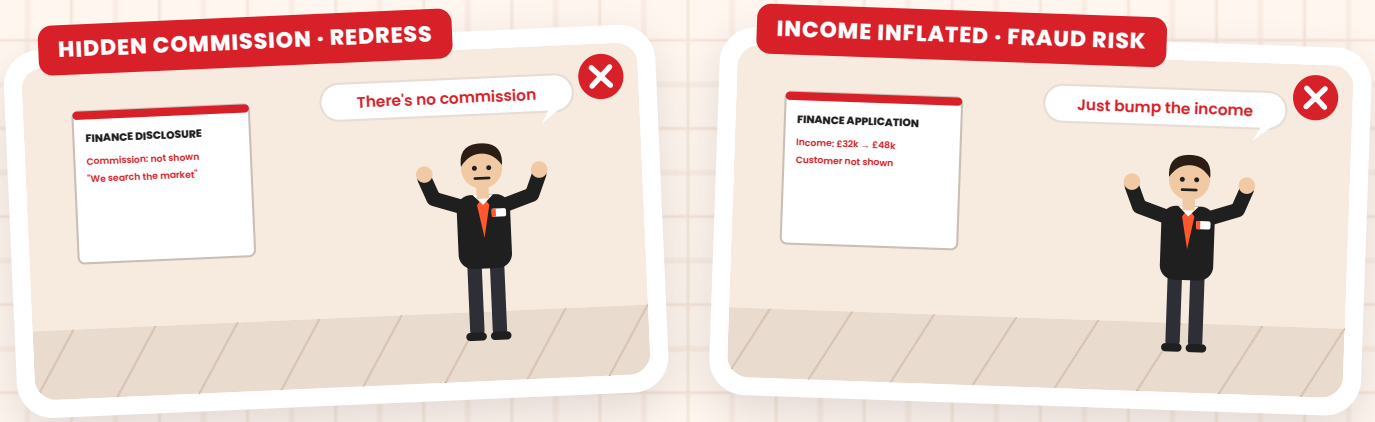
• £9.1BN REDRESS SCHEME Sales, F&I and aftersales products

FCA Motor Finance Compliance Guidebook for Automotive Companies

Credit broking permission, commission disclosure, Consumer Duty, affordability and finance ads: what the FCA expects from UK dealers, **and why every finance deal since 2007 is now a potential claim.**



£9.1bn
estimated cost of the **motor finance redress scheme** (Mar 2026).

12.1M
car finance agreements in scope, arranged through dealers.

Unlimited
FCA fines, plus redress and loss of permission.

7 standards · 21 checkpoints · FSMA · CCA · CONC · Consumer Duty · Right way / wrong way · Ideal fix time

Jan 2021 Discretionary commission banned → **Jul 2023** Consumer Duty in force → **Mar 2026** £9.1bn redress scheme → **Every finance deal leaves a record.**

WHY THIS GUIDEBOOK EXISTS

In the UK, the car finance desk is the biggest risk you have.

Most UK dealers arrange finance as **credit brokers**, which puts them under the FCA. Years of undisclosed commission have turned into a **£9.1bn redress scheme** covering 12.1 million agreements, and the Consumer Duty now makes dealers answer for customer outcomes, not just paperwork.

This guidebook covers the 7 standards that decide whether your finance desk creates income or claims.

WHERE THE FINANCE RISK SITS IN A DEALERSHIP

Permission
FCA authorisation or AR status
FCA-01

Commission
Disclosed amount and lender ties
FCA-02

Add-ons
GAP, warranty, protection: fair value
FCA-03

Applications
Accurate, affordable, understood
FCA-04

Advertising
Representative APR examples
FCA-05

Customers
Vulnerability and complaints
FCA-06 · 07

WHO'S INVOLVED

FCA
Financial Conduct Authority
Authorises brokers, sets rules, fines and orders redress

FOS
Financial Ombudsman Service
Decides customer complaints, binding on firms

Lenders
Finance houses
Audit dealers and remove poor performers from panels

Courts
incl. Supreme Court (Aug 2025)
Decided when commission makes a relationship unfair

WHO IT'S FOR

Dealer principals & directors
Understand redress exposure across every deal.

Business & sales managers
Know exactly what must be said and recorded.

Compliance & auditors
Sample deal files like the FCA and lenders do.

THE COST COMES BACK YEARS LATER

Old deals. New claims. £9.1 billion.

The FCA's redress scheme pays customers whose car finance (2007–2024) involved commission or lender ties they weren't told about. It's funded by lenders, who look to their dealer panels. On top of that the FCA can fine **without limit** and remove permissions.

THE PENALTY LADDER

LEVEL 1
Complaint
Ombudsman case fee per complaint, and a public complaints record.

LEVEL 2
Redress
Paying customers back, with interest, for every affected deal.

LEVEL 3
Unlimited
FCA fine based on revenue from the breach.

LEVEL 4
Prison
Unauthorised credit broking: up to 2 years.

REAL CASES FROM US AUTOMOTIVE BUSINESSES

WHO	RESULT	WHAT HAPPENED
Motor finance redress scheme FCA · Mar 2026	**£9.1bn** 12.1M agreements	Commission and lender ties not disclosed on finance arranged via dealers, 2007–2024.
Average payout FCA estimate	**£829** per agreement	At 75% uptake. A group arranging 50,000 deals since 2007 sits behind ~£41M of redress.
Car finance claims spam ICO · Jul 2026	**12M+** complaints	170M texts; search warrants in 5 cities. Car finance is under every regulator's lens.

5,000 DEALS A YEAR
£4.1M
Potential redress at the £829 average for one year of undisclosed commission.

FINE
Unlimited
Calculated on revenue from the breach, with multipliers.

AND THEN
Panels
Lenders **drop dealers** seen as conduct risks.

HOW TO USE THIS GUIDE

One page per standard. Every deal file counts.

1. **Header**: code, area, owner and the maximum penalty
2. **The law**: which regulator and which regulation
3. **The cost**: fine, what else can happen and a real case
4. **Right / wrong**: illustrated pass and fail, plus how to audit

THE 7 STANDARDS

FCA-01	FCA Permission for Credit Broking PRISON	FSMA s.19	CRITICAL	Unlimited + prison	Immediate	5
FCA-02	Commission & Lender Ties Disclosed	CONC 4.5	CRITICAL	Unlimited + redress	Immediate	6
FCA-03	Consumer Duty: Fair Value	PRIN 2A	CRITICAL	Unlimited + redress	30 days	7
FCA-04	Affordability & Accurate Applications	CONC 5	CRITICAL	Unlimited + redress	Immediate	8
FCA-05	Finance Ads Compliant	CONC 3	CRITICAL	Unlimited	72 hours	9
FCA-06	Vulnerable Customers	FG21/1	CRITICAL	Unlimited	30 days	10
FCA-07	Complaints Handled on Time	DISP 1	CRITICAL	Unlimited	7 days	11

IDEAL FIX TIME · COUNTED FROM AUDIT SUBMISSION

Immediate	Stop now · serious harm or clear breach	3 standards
72 hours	Fix within 3 working days	1 standard
7 days	Fix within 1 week · records, notices, training	1 standard
30 days	Plan and close within 1 month · policies and systems	2 standards

SCORING EACH CHECKPOINT

PASS

Every criterion met at the time of audit, with evidence captured.

FAIL

Any criterion not met at the time of audit. Record what you saw and who owns the fix.

N/A

Only where "Applies when" rules it out. Record why.

Note. This guide covers dealers acting as credit brokers. If you lend directly or sell insurance (e.g. GAP), further FCA rules apply.

FCA-01 FCA · MOTOR FINANCE · STANDARD 01 OF 07

FCA Permission for Credit Broking

Area **Sales · F&I** | Person in charge **Dealer Principal · Compliance Officer** | Regulator **FCA**

MAXIMUM PENALTY

Unlimited

criminal offence · FSMA s.23

Up to **2 years in prison** · agreements may be unenforceable

• CRITICAL | ⛓ PRISON RISK

THE LAW

FCA

Financial Services and Markets Act 2000 · **Consumer Credit Act 1974** · FCA Handbook · **FSMA s.19 / s.23** general prohibition · credit broking is a regulated activity (RAO art. 36A)

WHAT WE CHECK

The dealership only introduces customers to car finance while it holds FCA permission for credit broking, or as an appointed representative of a firm that does, and the Register shows the right entity and trading names.

CHECKPOINTS IN THE AUDIT

- Q1 Is the dealership authorised by the FCA for credit broking, or an appointed representative of an authorised firm?
- Q2 Do the FCA Register entry, trading names and branches match how the business actually trades?
- Q3 Are staff who arrange finance working only within that permission?

WHAT NON-COMPLIANCE COSTS YOU

THE FINE

FCA fines have **no upper limit**. They're based on the revenue from the breach, with a multiplier for seriousness, and come on top of **paying customers back**.

BEYOND THE FINE

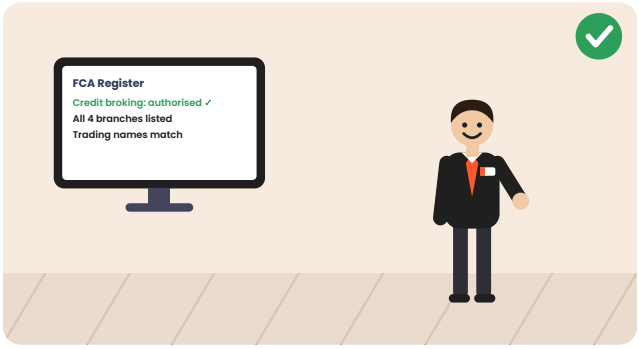
The FCA can **vary or cancel your permission**, ban individuals, and publish the decision. Lenders can drop dealers they see as a conduct risk.

REAL ENFORCEMENT

£9.1bn

estimated cost of the FCA's **motor finance redress scheme** (final rules Mar 2026): **12.1 million agreements** from 2007–2024, average £829 each.

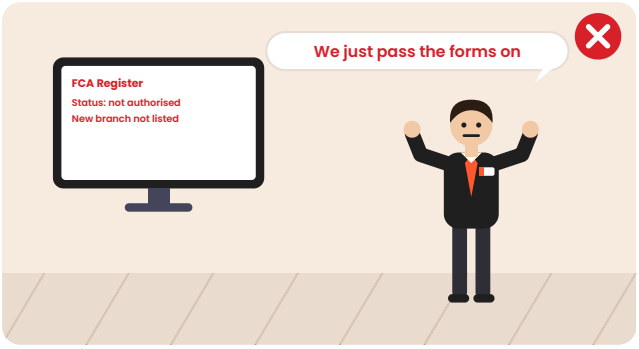
✔ RIGHT WAY



Register entry matches every branch and trading name.

✖ WRONG WAY

PRISON RISK



A new branch arranging finance with no permission.

PURPOSE

Arranging finance without permission is a criminal offence, and the agreements may be unenforceable against the customer.

FIX IT WITHIN

◷ Immediate

AUDIT CRITERIA · PASS WHEN

- Authorised or appointed representative
- Register matches trading names
- Permissions cover what staff do

IDEAL WAY OF AUDITING

1. Search the FCA Register
2. Compare with branch list and signage
3. Check the AR agreement if relevant

Evidence: Register screenshot + AR agreement.

WORST CASE Unauthorised credit broking: up to **2 years in prison**, and customers may be able to walk away from agreements you arranged.

FCA-02 FCA · MOTOR FINANCE · STANDARD 02 OF 07

Commission & Lender Ties Disclosed

Area **F&I · Sales** | Person in charge **Business Manager · Compliance Officer** | Regulator **FCA**

MAXIMUM PENALTY

Unlimited

FCA financial penalty · no statutory cap

Plus **customer redress** and loss of permission

• CRITICAL

THE LAW

FCA

Financial Services and Markets Act 2000 · **Consumer Credit Act 1974** · FCA Handbook · **CONC 4.5.3R** commission disclosure · **CCA s.140A** unfair relationships · discretionary commission banned since Jan 2021

WHAT WE CHECK

Customers are told, before they commit, that the dealer receives commission, how it works and roughly how much, and whether the dealer has any tie or preferred arrangement with the lender.

CHECKPOINTS IN THE AUDIT

- Q1 Is the nature and amount of commission disclosed clearly before the customer signs?
- Q2 Are any exclusive or preferential ties with lenders disclosed?
- Q3 Is disclosure prominent, not buried in terms, and recorded on the deal file?

WHAT NON-COMPLIANCE COSTS YOU

THE FINE

FCA fines have **no upper limit**. They're based on the revenue from the breach, with a multiplier for seriousness, and come on top of **paying customers back**.

BEYOND THE FINE

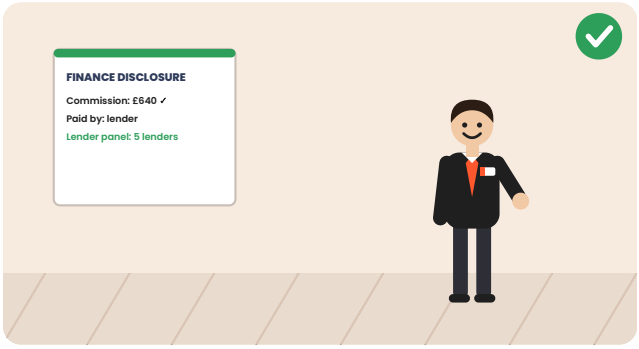
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REAL ENFORCEMENT

12.1M

car finance agreements covered by the redress scheme, because customers weren't told about **commission and lender ties** arranged through the dealer.

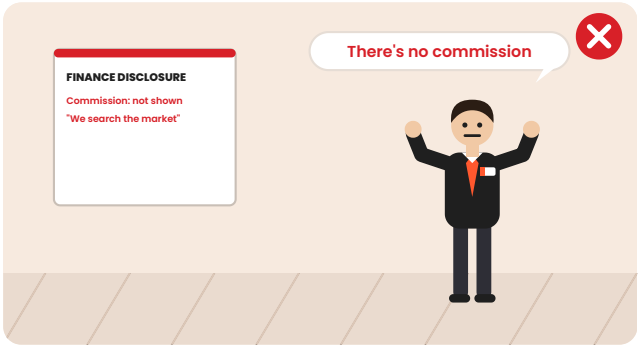
✔ RIGHT WAY



Commission amount and lender panel disclosed on the file.

✖ WRONG WAY

UNLIMITED + REDRESS



Commission hidden and a tie called "whole of market".

PURPOSE

Hidden commission is exactly what the £9.1bn redress scheme is about. Every deal without clear disclosure is a future claim.

FIX IT WITHIN

◷ Immediate

AUDIT CRITERIA · PASS WHEN

- Commission disclosed before signing
- Amount or method shown
- Lender ties disclosed
- Signed copy on file

IDEAL WAY OF AUDITING

1. Sample 10 recent finance deals
2. Check disclosure wording and timing
3. Compare with lender agreements

Evidence: 10 deal files + disclosure template.

WORST CASE One undisclosed commission is a claim. A dealer group writing 5,000 finance deals a year at the **£829 average** faces **£4M+ a year** in potential redress.

FCA-03 FCA · MOTOR FINANCE · STANDARD 03 OF 07

Consumer Duty: Fair Value

Area **F&I · Aftersales products** | Person in charge **Business Manager · Dealer Principal** | Regulator **FCA**

MAXIMUM PENALTY

Unlimited

FCA financial penalty · no statutory cap

Plus **customer redress** and loss of permission

• CRITICAL

THE LAW

FCA

Financial Services and Markets Act 2000 · **Consumer Credit Act 1974** · FCA Handbook · **PRIN 2A** Consumer Duty (in force 31 Jul 2023): price and value outcome, products and services outcome

WHAT WE CHECK

Finance, GAP, paint protection and other add-ons sold with a car offer fair value, are sold to customers they suit, and the dealer can show evidence of that.

CHECKPOINTS IN THE AUDIT

- Q1 Is there a fair value assessment for every add-on sold with finance (e.g., GAP, warranty, protection)?
- Q2 Are add-ons only sold to customers they suit, with demands-and-needs recorded?
- Q3 Are penetration rates and cancellations monitored for signs of poor value?

WHAT NON-COMPLIANCE COSTS YOU

THE FINE

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BEYOND THE FINE

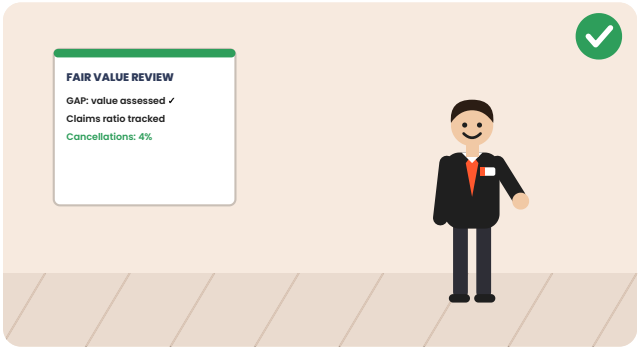
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REAL ENFORCEMENT

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estimated cost of the FCA's **motor finance redress scheme** (final rules Mar 2026): **12.1 million agreements** from 2007–2024, average £829 each.

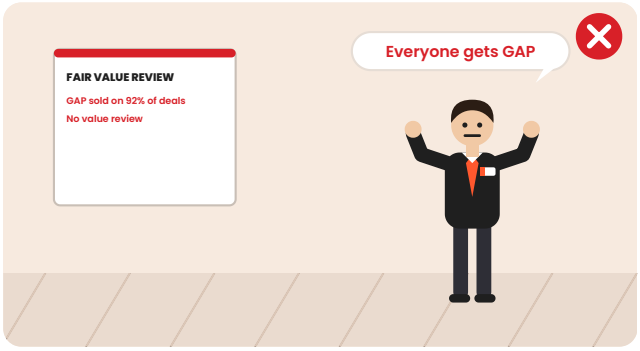
✔ RIGHT WAY



Value reviewed and add-ons sold where they fit.

✖ WRONG WAY

UNLIMITED + REDRESS



GAP on 92% of deals with no review.

PURPOSE

The Consumer Duty makes the dealer answer for customer outcomes, not just paperwork.

FIX IT WITHIN

◷ 30 days

AUDIT CRITERIA · PASS WHEN

- Fair value assessment per product
- Demands-and-needs recorded
- MI on penetration and cancellations
- Board or director sign-off

IDEAL WAY OF AUDITING

1. Request value assessments
2. Check add-on penetration per salesperson
3. Sample 5 deals for suitability

Evidence: Assessments + MI pack.

WORST CASE Poor-value add-ons across every deal become **redress for every customer**, plus a fine calculated on the revenue earned.

FCA-04 FCA · MOTOR FINANCE · STANDARD 04 OF 07

Affordability & Accurate Applications

Area **F&I** | Person in charge **Business Manager** | Regulator **FCA**

MAXIMUM PENALTY

Unlimited

FCA financial penalty · no statutory cap

Plus **customer redress** and loss of permission

• CRITICAL

THE LAW

FCA

Financial Services and Markets Act 2000 · **Consumer Credit Act 1974** · FCA Handbook · **CONC 5** responsible lending · **CONC 3** and **4** conduct of credit brokers

WHAT WE CHECK

Finance applications are completed accurately with the customer's real income and outgoings, never inflated to get an approval, and the customer understands what they are signing.

CHECKPOINTS IN THE AUDIT

- Q1 Are applications completed with the customer's own, accurate information?
- Q2 Are staff forbidden from altering income or employment details?
- Q3 Are the key features and total cost explained before signing?

WHAT NON-COMPLIANCE COSTS YOU

THE FINE

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BEYOND THE FINE

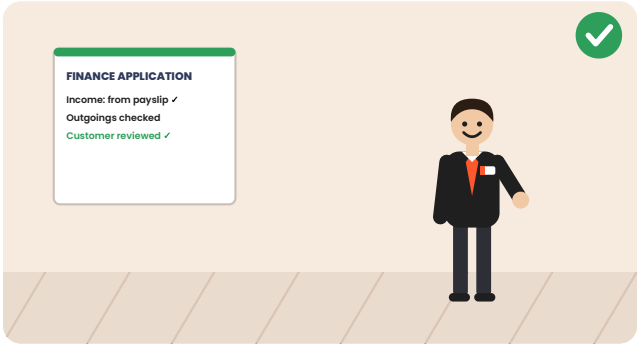
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REAL ENFORCEMENT

£829

average compensation per agreement under the redress scheme: multiplied across every finance deal a dealer brokered since 2007.

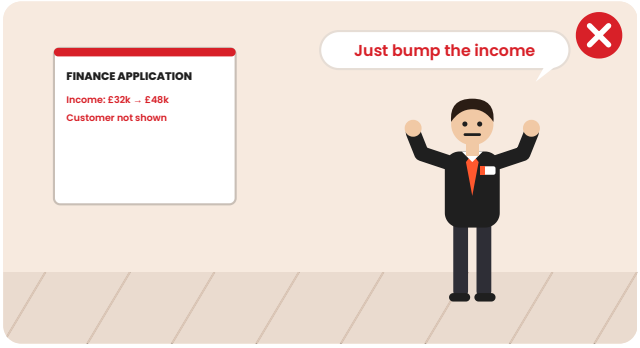
✔ RIGHT WAY



Income matches the payslip, and the customer reviewed the application.

✖ WRONG WAY

FRAUD RISK



Income inflated to get the deal approved.

PURPOSE

Changing application details is fraud as well as a conduct breach. Lenders audit it and cut off dealers who do it.

FIX IT WITHIN

◷ Immediate

AUDIT CRITERIA · PASS WHEN

- Income evidenced
- No edits by staff
- Key info explained
- Signed by the customer

IDEAL WAY OF AUDITING

1. Compare 10 applications with evidence
2. Check edit logs in the finance portal
3. Ask a customer-facing colleague to walk through it

Evidence: Application audit log.

WORST CASE Inflated applications mean **fraud exposure**, loss of lender panels, and redress to every customer put into unaffordable credit.

FCA-05 FCA · MOTOR FINANCE · STANDARD 05 OF 07

Finance Ads Compliant

Area **Marketing · Sales**

Person in charge **Marketing Manager · Compliance Officer**

Regulator **FCA**

MAXIMUM PENALTY

Unlimited

FCA financial penalty · no statutory cap

Plus **customer redress** and loss of permission

• CRITICAL

THE LAW

FCA

Financial Services and Markets Act 2000 · **Consumer Credit Act 1974** · FCA Handbook · **CONC 3** financial promotions · **Consumer Credit (Advertisements) Regulations 2010**

WHAT WE CHECK

Every finance advert (website, windscreen, social, portal listing) is clear, fair and not misleading, and shows a representative example with APR where required.

CHECKPOINTS IN THE AUDIT

- Q1 Does every finance ad with a rate or cost figure include a correct representative example and APR?
- Q2 Are "0%" or "no deposit" claims accurate and conditions shown prominently?
- Q3 Are ads approved by someone competent before going live?

WHAT NON-COMPLIANCE COSTS YOU

THE FINE

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BEYOND THE FINE

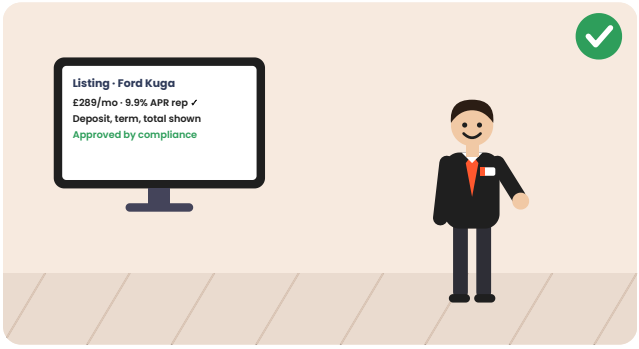
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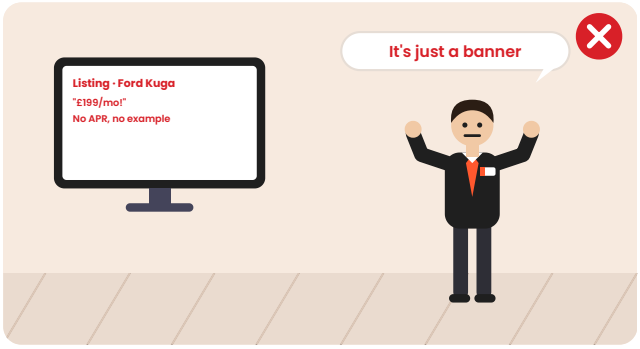
✔ RIGHT WAY



Monthly price with representative example and APR.

✖ WRONG WAY

UNLIMITED



"£199 a month" with no APR or terms.

PURPOSE

Finance ads are the easiest breach to find: the FCA and customers see them online.

FIX IT WITHIN

◷ 72 hours

AUDIT CRITERIA · PASS WHEN

- Representative example where required
- Conditions prominent
- Approval log

IDEAL WAY OF AUDITING

1. Check 10 live listings and posts
2. Check windscreen cards
3. Review the approval log

Evidence: Screenshots + approval log.

WORST CASE A non-compliant promotion is an FCA breach and a **misleading advert** under consumer law, with two regulators interested at once.

FCA-06 FCA · MOTOR FINANCE · STANDARD 06 OF 07

Vulnerable Customers

Area **Sales · F&I** | Person in charge **Sales Manager · Compliance Officer** | Regulator **FCA**

MAXIMUM PENALTY

Unlimited

FCA financial penalty · no statutory cap

Plus **customer redress** and loss of permission

• CRITICAL

THE LAW

FCA

Financial Services and Markets Act 2000 · **Consumer Credit Act 1974** · FCA Handbook · **FCA FG21/1** fair treatment of vulnerable customers · Consumer Duty consumer understanding and support outcomes

WHAT WE CHECK

Staff can spot signs of vulnerability (financial difficulty, health, life events, low confidence) and adapt: more time, clear explanations, no pressure, and a record of what was done.

CHECKPOINTS IN THE AUDIT

- Q1 Are sales and F&I staff trained to recognise vulnerability?
- Q2 Is there a process to adapt the sale (more time, a third party, cooling off)?
- Q3 Are vulnerability cases recorded and reviewed?

WHAT NON-COMPLIANCE COSTS YOU

THE FINE

FCA fines have **no upper limit**. They're based on the revenue from the breach, with a multiplier for seriousness, and come on top of **paying customers back**.

BEYOND THE FINE

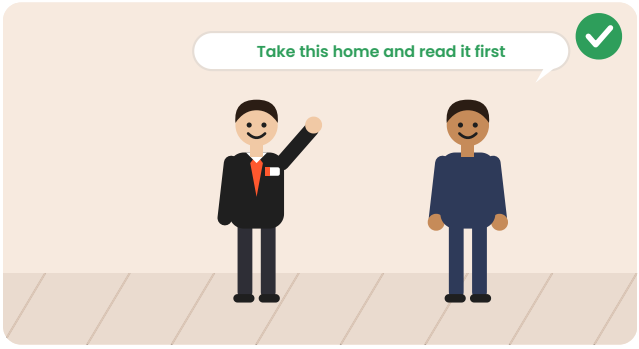
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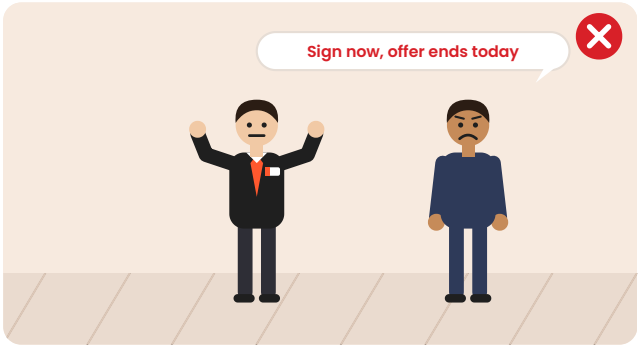
✔ RIGHT WAY



Customer given time and information to decide.

✖ WRONG WAY

UNLIMITED



A pressured customer told to sign now.

PURPOSE

Vulnerable customers are the ones most likely to complain and win.

FIX IT WITHIN

◷ 30 days

AUDIT CRITERIA · PASS WHEN

- Training completed
- Adaptation process
- Cases logged
- No pressure selling

IDEAL WAY OF AUDITING

1. Check training records
2. Ask staff what they'd do
3. Review logged cases

Evidence: Training + vulnerability log.

WORST CASE A pattern of pressure sales to vulnerable customers can lead to **redress, a fine and loss of lender panels**.

FCA-07 FCA · MOTOR FINANCE · STANDARD 07 OF 07

Complaints Handled on Time

Area **Customer relations** | Person in charge **Compliance Officer** | Regulator **FCA**

MAXIMUM PENALTY

Unlimited

FCA financial penalty · no statutory cap

Plus **customer redress** and loss of permission

• CRITICAL

THE LAW

FCA

Financial Services and Markets Act 2000 · **Consumer Credit Act 1974** · FCA Handbook · **DISP 1** complaint handling · Financial Ombudsman Service (FOS)

WHAT WE CHECK

Finance complaints are logged, acknowledged promptly and resolved with a final response within 8 weeks, which tells the customer about their right to go to the Financial Ombudsman.

CHECKPOINTS IN THE AUDIT

- Q1 Are all finance complaints logged, including verbal ones?
- Q2 Is a final response issued within 8 weeks with FOS referral rights?
- Q3 Are root causes analysed and fixed?

WHAT NON-COMPLIANCE COSTS YOU

THE FINE

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BEYOND THE FINE

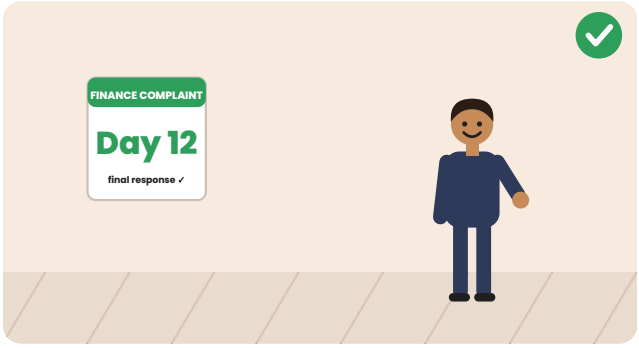
The FCA can **vary or cancel your permission**, ban individuals, and publish the decision. Lenders can drop dealers they see as a conduct risk.

REAL ENFORCEMENT

12M+

complaints to the ICO about **car finance claims** spam since Sep 2025. Car finance is the most scrutinised topic in UK consumer regulation.

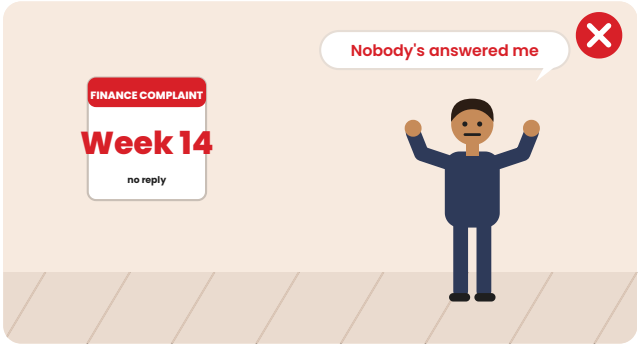
✔ RIGHT WAY



Final response in 12 days with ombudsman rights.

✖ WRONG WAY

UNLIMITED



No answer after 14 weeks.

PURPOSE

Missed deadlines send customers straight to the ombudsman, where each case carries a fee and a public record.

FIX IT WITHIN

◷ 7 days

AUDIT CRITERIA · PASS WHEN

- Complaints log
- 8-week final response
- FOS wording
- Root cause review

IDEAL WAY OF AUDITING

1. Review the log
2. Sample 5 cases for timelines
3. Check letter wording

Evidence: Complaints log + letters.

WORST CASE Every late complaint goes to the **Financial Ombudsman**, where the business pays a case fee whether it wins or loses.

FIX THE DEAL FILE BEFORE THE CLAIM ARRIVES

Your 30-day finance action plan.

Today

- [ ] **FCA-01** FCA Permission for Credit Broking
  Immediate
- [ ] **FCA-02** Commission & Lender Ties Disclosed
  Immediate
- [ ] **FCA-04** Affordability & Accurate Applications
  Immediate

This week

- [ ] **FCA-05** Finance Ads Compliant
  72 hours
- [ ] **FCA-07** Complaints Handled on Time
  7 days

This month

- [ ] **FCA-03** Consumer Duty: Fair Value
  30 days
- [ ] **FCA-06** Vulnerable Customers
  30 days

?/7 Count your passes, then count the **finance deals** behind every fail. At £829 each, that's your redress exposure.

SOURCES

- FCA: FCA confirms motor finance redress scheme; PS26/3 (Mar 2026) · fca.org.uk
- ICO: Properties searched after millions of car finance complaints (Jul 2026) · ico.org.uk
- FCA Handbook: PRIN 2A, CONC 3–5, DISP 1; FG21/1 · handbook.fca.org.uk
- FSMA 2000; Consumer Credit Act 1974 s.140A; Consumer Credit (Advertisements) Regs 2010 · legislation.gov.uk

Disclaimer. For compliance-audit guidance only; not legal or regulatory advice. Redress figures are FCA estimates. Check the latest FCA publications.

AUDIT SIGN-OFF

DEALERSHIP / SITE	AUDITOR	DATE	SCORE __ / 7

BRANCH / DEALER PRINCIPAL SIGNATURE	COMPLIANCE LEAD SIGNATURE