



The FCA consults on further temporary changes to handling rules for motor finance complaints

Summary of Consultation Paper CP24/22

The Court of Appeal has recently made a decision on three cases related to car finance. The Court ruled that it is illegal for dealers to accept commissions from lenders offering motor finance without informing customers about the commission and obtaining their consent.

This ruling may impact complaints regarding all motor finance agreements that involve commission arrangements. The FCA expects to see more complaints about these arrangements after the ruling.

In light of this, it is looking into new rules for handling complaints about motor finance agreements that include commission arrangements, except for those involving a DCA.

[See full paper here](#)

The main changes proposed are:

- The requirement requiring firms to provide a final response and inform complainants of their right to go to the Financial Ombudsman within eight weeks would be suspended until 31 May 2025 or 4 December 2025 (see paragraphs 4.7-4.22).
- Consumers receiving a final response to such complaints will have until the later of 15 months from the final response date or 29 July 2026 to decide whether to refer their complaint to the Financial Ombudsman.
- Firms must maintain and preserve relevant records.

It's worth noting that DCA complaint handling rules will not change. The FCA believes it best to keep the DCA complaint handling rules separate from the proposed rules for motor finance non-DCA commission complaints until it learns more about any appeal of the Court of Appeal's decision to the Supreme Court.

Longer term aim

The suggested rules aim to ensure that, after the Court of Appeal's decision and the anticipated rise in complaints to firms, consumers achieve a smooth, uniform, and effective resolution over time. Achieving this long-term result might need additional regulatory actions, such as a legal consumer compensation scheme or specific rules and guidance for handling all motor finance commission complaints. At this point, it is too soon to determine if there will be any intervention and which complaints it would cover.

The proposed rules will help minimise the risks to achieving positive long-term results that could arise from the immediate operational and financial difficulties faced by firms and the Financial Ombudsman if they need to handle a large number of motor finance non-DCA commission complaints within the current eight-week timeframe. They will also tackle the risk of inconsistent handling of complaints related to various types of motor finance commissions impacted by the Court of Appeal's ruling.

It is important to remember that this doesn't mean firms

should stop progressing complaints according to the DISP rules as these rules still apply.

Options under consultation:

- **Option 1:** a longer extension - until 4 December 2025 – to align with rules for firms dealing with motor finance DCA complaints.
- **Option 2:** a shorter extension – until 31 May 2025 – reflecting the likely timeline for any Supreme Court decisions and allowing flexibility for further extensions if needed.

Scope of the extension

The extension will cover motor finance non-DCA commission complaints under each option, as defined earlier. Specifically:

- a ‘new’ motor finance non-DCA commission complaint, ie one received by the firm on or after the proposed rules come into force. This includes a complaint which has, following DISP 1.7.2R, been forwarded to the firm by another firm, on or after 19 December 2024.
- a motor finance non-DCA commission complaint received by the firm on or after 25 October 2024 (as these complaints will be less than eight weeks old if the proposed rules come into force on 19 December 2024), where the firm has not sent the complainant a final response. As with new motor finance commissions complaints, where a complaint has been forwarded to the firm by another firm, this includes forwarded complaints received by the firm on or after 25 October 2024.

As of 7 January 2025, the Financial Conduct Authority (FCA) has confirmed that motor leasing will also be included in the commission complaints extension period.

Further explanation on what this means:

Once the extension period ends under the FCA proposals, the eight-week time limit will start again. For instance, if a firm gets a motor finance non-DCA commission complaint three weeks before 19 December 2024, it will have five weeks after the extension ends to give a final response or a written holding response if a final answer isn't possible. For complaints received while the extension is active, the 8 weeks will begin on either 1 June 2025 or 5 December 2025, based on the chosen option.

The FCA suggests this method to ensure that firms focus on complaints from those who have been waiting the longest.



Outlining the benefits of each option

Option 1 offers simplicity and consistency and it might be the better choice if the Supreme Court allows the appeal of the Court of Appeal's decision. An extension to 4 December 2025 could provide sufficient time for the Supreme Court to review and possibly resolve the appeal.

Option 2 clearly states that the next important step in the FCA's work is the result of any request to appeal. The information the FCA receives from the Supreme Court's decision on this request will provide it with more confidence about long-term plans than it currently has.

It also offers better incentives for companies to prepare for a situation where regular complaint handling might start again on 1 June 2025. At the very least, they should have completed an analysis to back up any request they may want to make to the FCA for an additional extension.

FCA proposals will keep DISP 1.4.1R in effect. This rule requires companies to properly and thoroughly assess and investigate complaints. The FCA suggests that companies should look into motor finance non-DCA commission complaints by gathering evidence to help resolve them.

The proposals acknowledge that it may not be suitable for companies to provide final responses to these complaints or allow referrals to the Financial Ombudsman while the extension is active. However, companies that wish to respond to motor finance non-DCA commission complaints can still send final responses during this extension period.

If companies decide to respond to motor finance non-DCA commission complaints or offer compensation during the extension period, they must follow the standard rules in DISP. This includes the complaint resolution guidelines in

DISP 1.4. These guidelines involve looking into, evaluating, and settling complaints while considering all important factors, including the Court of Appeal's decision, and working with the Financial Ombudsman.

FCA proposals – firms' responsibilities

- Firms should inform complainants about the extended time limits for handling their motor finance non-DCA commission complaints and explain why the extension is necessary. Companies are allowed to send this information electronically. If a company realises that a complainant may struggle to access information online, it should make reasonable efforts to provide the information in a different format.
- Firms wanting to use the proposed extra time for responding to a motor finance non-DCA commission complaint should acknowledge the complaint within eight weeks. This will help avoid unnecessary referrals to the Financial Ombudsman and possible case fees.
- Firms to update the consumer information they currently have about their complaint-handling procedures, including details on their websites, to show the new time limits. The FCA will also provide information on their website to assist firms with this update.
- On receiving a complaint, firms must quickly send a written acknowledgment to the person who complained. The FCA suggests that this acknowledgment should explain the changes to the time limit rules in DISP 1.6.2R. Once the new rules take effect (for example, on 19 December 2024), a company might have already sent an acknowledgment for a motor finance non-DCA commission complaint. If the eight-week response period is still open and the company hasn't given a final answer, the FCA suggests that companies must quickly inform the complainant about the extension and why it is happening.

The FCA clarifies further: for all complaints within the scope of the extension, the firm must:

- direct the complainant to information published on the FCA website that explains the reason for the rules
- ensure they subsequently keep the complainant informed of the progress of the measures being taken for the complaint's resolution

FCA rationale:

The new rule to give consumers extra time to decide on referring a complaint to the Financial Ombudsman aligns with the rules for DCA complaints. The FCA is seeking input on the same referral timelines that apply to DCA complaints.

This means that any final responses sent between 20 June 2024 and 29 April 2025, will allow consumers until 29 July 2026, to refer their complaint, regardless of whether they choose Option 1 or Option 2. For final responses sent from 30 April 2025, to either 26 July 2025 (if Option 2 is selected) or 29 January 2026 (if Option 1 is selected), consumers will have 15 months from the date of the final response. After this period, the FCA plans to return to the standard six-month referral timeframe.

The FCA believes that aligning complaint timelines for DCA and non-DCA commission complaints will reduce confusion for consumers and lessen the workload for firms handling motor finance DCA and non-DCA commission complaints.

Next steps

Firms must respond to the consultation by 5 December 2024. The FCA plans to publish its feedback and policy statement by 19 December 2024.

How we can help

Auxillias is currently helping several motor finance lenders and dealers navigate compliance challenges following the Johnson v FirstRand judgement. We provide tailored support, including drafting disclosure statements, training staff, reviewing Consumer Duty obligations and enhancing complaint handling. Our expertise ensures transparent customer journeys, robust oversight frameworks and effective management information systems. With a deep understanding of motor finance, we turn complex regulations into practical, business-focused solutions.



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