Solicitors Regulation Authority

Statement

Motor finance commission claims - the Supreme Court judgment and what we expect from law firms

08 August 2025

The UK Supreme Court judgment [https://supremecourt.uk/cases/judgments/uksc-2024-0157] of 1 August 2025 decided that, in certain specific circumstances, motor finance companies may have entered unfair relationships with consumers, meaning that commission will be repayable. It also decided that car dealers did not have to prioritise consumers' interests over their own. On this basis, some motor finance consumers with commission disclosure claims will not be entitled to compensation.

On 3 August 2025, the FCA announced [https://www.fca.org.uk/news/statements/fca-consult-compensation-scheme-motor-finance-customers] it will consult more broadly on an industry-wide compensation 'redress' scheme for consumers who were treated unfairly, and will publish the consultation by early October. It has already proposed the scheme will cover Discretionary Commission Arrangements (DCAs) if they were not properly disclosed to the consumer.

What we expect from you

As an SRA-regulated firm, we expect you to act in your clients' best interests and comply with your professional obligations at all times. For your current and any future clients who sign up to a motor finance commission claim with you, we expect you to:

- familiarise yourself with the details of the judgment [https://supremecourt.uk/cases/judgments/uksc-2024-0157]
- determine what the impact of the judgment means for prospective and existing clients
- inform your clients what the judgment means for them in a way they understand, taking account of their individual attributes, needs and circumstances
- inform clients of the realistic prospect of an FCA-led redress scheme being introduced, following the FCA 3 August announcement of a consultation [https://www.fca.org.uk/news/statements/fca-consult-compensation-scheme-motor-finance-customers] that will start by October. This would allow clients to pursue a claim for themselves, free of charge. For prospective clients, this must be done before they sign any agreement with you. This applies even where a redress scheme has not yet been confirmed, as outlined in our recent news article [https://www.sra.org.uk/sra/news/press/car-finance-warning-july-2025/]

- take steps to ensure any claims management companies (CMCs) you use for motor finance referrals comply with FCA regulations (in line with this recent FCA communication to CMCs [https://www.fca.org.uk/publication/correspondence/cmc-motor-finance-letter-july-2025.pdf]). Ensure clients referred to you by CMCs are not acquired by them in a way that would breach our rules
- ensure any publicity in relation to your practice is accurate and not misleading
- ensure current and/or future clients have clear information to help them make informed decisions, including on costs
- comply with our Code of Conduct for Solicitors [https://www.sra.org.uk/solicitors/standards-regulations/code-conduct-solicitors/] (noting paragraphs 1.2, 3.4, and 8.6) and our other Standards and Regulations [https://www.sra.org.uk/solicitors/standards-regulations/] that apply to you
- follow our relevant guidance and warning notice:
  - Claims management activity guidance [https://www.sra.org.uk/solicitors/guidance/claims-management-activity/]
  - Representing clients for claims for financial services or products guidance [https://www.sra.org.uk/solicitors/guidance/representing-clients-during-claims-for-financial-services-or-products/]
  - Marketing your services to members of the public warning notice [https://www.sra.org.uk/solicitors/guidance/marketing-public/]

Where we find evidence of non-compliance, we will take action.

Clients who no longer have a claim

Where clients no longer have a claim, you must inform them in a timely and competent manner. We expect most motor finance commission cases are on a 'no win, no fee' agreement, 'contingent' (based on) the outcome of a case, so no charges will be due.

Charges to clients who terminate a contract

Law firms must inform clients of their termination rights under their agreement, and any fee that may be payable if they do not go ahead.

This information must be provided to clients in a way they can understand, and that enables them to make informed decisions about the options available to them. Clients must also be provided with the best possible information about how their matter will be priced and, both at the time of engagement and when appropriate throughout their matter, about the likely overall cost of the matter and any costs incurred.

Any fees charged on termination must be fair and reasonable. What is considered ‘reasonable' will depend on a range of factors, including levels of work undertaken on behalf of a client and market rates for that representation.

We expect you to be able to provide evidence to us (if requested) regarding the calculation of your charges upon termination, considering factors such as:

- your hourly rate
- the extent of claims management activity that was provided, recorded, and agreed with a client, and grades of fee-earners involved in the work
- steps taken to make certain a client was adequately informed, and provided consent, to charges.

Behaviour that we would find concerning includes:

- charging clients for work that has not been done or is not chargeable
- undertaking unnecessary work to increase fees and maximise charges on termination
- charging more than what the fee cap would have allowed
- excessive hourly rates.

The Legal Ombudsman may also consider complaints about your charges.

Litigation funding

Some firms take on litigation funding to finance their work on high-volume consumer claims such as these. If this applies to your firm and making loan repayments could result in financial distress for your firm, please do engage with us by emailing us [https://www.sra.org.uk/contact-us] as soon as you can.

We know this could be a difficult time – we want to work with you to help you protect your clients' interests.