

Policy Statement

PS24/11

Extending the temporary changes to handling rules for motor finance complaints

September 2024

This relates to

Consultation Paper 24/15 which is available on our website at www.fca.org.uk/publications

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CP24-15@fca.org.uk



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Contents by sector

This table sets out which chapters are particularly relevant for each sector. This is where you will find the most relevant chapter(s) for your firm.

Sector	Chapter
Motor finance providers	All
Motor finance credit brokers, including motor dealers	All
Professional representatives, including claims management companies	All

Chapter 1

Summary

- 1.1** In Consultation Paper 24/15 ([CP24/15](#)), we consulted on extending the following rules relating to handling of complaints about motor finance discretionary commission arrangements (DCA complaints) that we made in Policy Statement 24/1 ([PS24/1](#)):
- the pause on the requirement for firms to provide a final response to DCA complaints within 8 weeks, giving complainants the right to go to the Financial Ombudsman (which was due to end on 25 September 2024 and we proposed extending until 4 December 2025)
 - requirements to keep consumers informed about the pause
 - the timeframe for consumers who receive a final response on relevant complaints to decide whether to refer their complaint to the Financial Ombudsman (we proposed this should run until 29 July 2026 at the earliest)
 - requirements to maintain and preserve relevant records (we proposed these should remain in place until 11 April 2026)

Summary of feedback and our response

- 1.2** The consultation closed on 28 August 2024. We asked 8 questions and received 31 responses, covering a wide range of industry and consumer stakeholders.
- 1.3** Sixteen stakeholders broadly agreed with the proposals outlined in CP24/15, but some respondents raised concerns about the potential extra resourcing and cost challenges that could result from the proposed changes.
- 1.4** Ten stakeholders disagreed with the proposal to extend the pause on the basis that if the FCA review concludes that consumers are owed compensation, they will need to wait longer for it.
- 1.5** Five stakeholders did not offer a view either way but provided views on broader matters relating to the extension. For example, calling on us for greater transparency on the progress of our work on DCAs.
- 1.6** In Chapter 3, we set out the feedback in more detail and our response. In summary, we are proceeding with all the proposals we consulted on, including extending the pause until 4 December 2025.

Who this affects

- 1.7** The rules in this Policy Statement are directly relevant to:
- consumers who have taken out motor finance agreements involving DCAs
 - motor finance providers

- motor finance credit brokers, including motor dealers
- professional representatives bringing complaints to motor finance providers, including claims management companies (CMCs) regulated by the FCA

1.8 This Policy Statement will also interest consumer organisations and trade bodies representing the motor finance and professional representative sectors.

How it links to our objectives

1.9 As we explained in CP24/15, if our work shows that large numbers of consumers require redress, we may decide that a different approach to consumer complaints is needed to advance:

- our consumer protection objective, by ensuring consumers receive appropriate redress
- our market integrity objective, by ensuring the provision of redress to consumers does not increase the risk of disorderly failure and its consequences

Outcome we are seeking

1.10 Extending the pause rules will ensure we can deliver the outcome we said we would deliver when we introduced the pause in January 2024. This is to prevent disorderly, inconsistent and inefficient outcomes for consumers and knock-on effects on firms and the market while we complete our assessment to determine the best way forward.

1.11 Neither the original pause rules, nor the changes we are making, prevent consumers or their representatives from lodging DCA complaints with firms or taking legal action against firms.

Measuring success

1.12 In PS24/1 and CP24/15, we explained that the initial pause to the complaint handling time limits was designed to:

- mitigate the short-term impact on firms and consumers caused by the expected increase in DCA complaints
- preserve our ability, in the longer term, to put in place, if needed, an approach to consumer redress that most appropriately balances our statutory objectives by delivering orderly, consistent and efficient outcomes

1.13 We will measure the success of the extended pause in terms of whether it allows us to deliver these outcomes.

Equality and diversity considerations

- 1.14** Overall, we do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010 (in Northern Ireland, the Equality Act is not enacted but other anti-discrimination legislation applies). But we will continue to consider the equality and diversity implications of the pause rules and will revisit them when we set out next steps in May 2025 (see paragraph 1.18).

Environmental, social & governance considerations

- 1.15** In developing this Policy Statement, we have considered the environmental, social and governance (ESG) implications of our proposals and our duty under ss. 1B(5) and 3B(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under s. 5 of the Environment Act 2021. Overall, we do not consider that the proposals are relevant to contributing to those targets.

Next steps

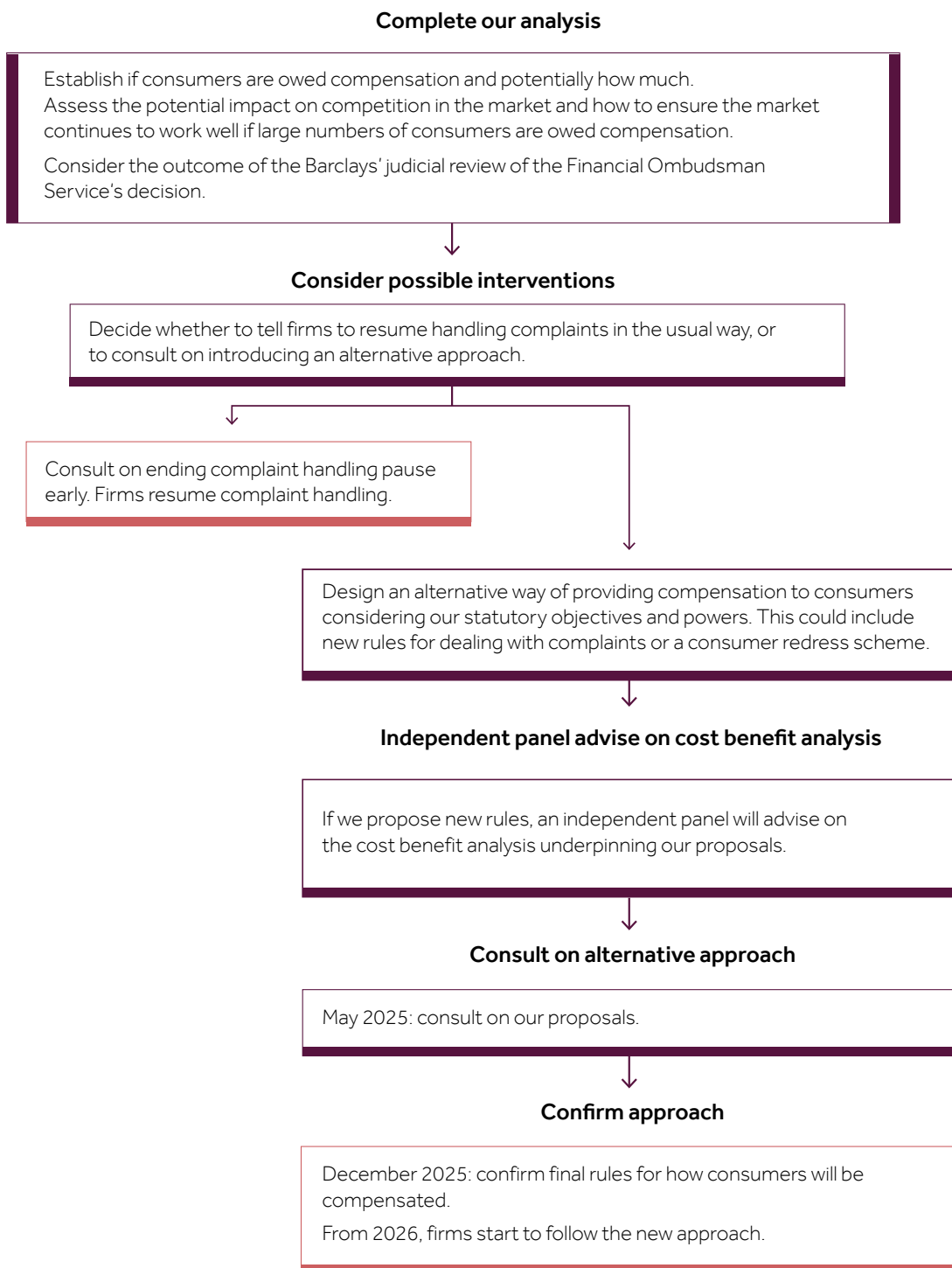
What you need to do next

- 1.16** Firms affected by these changes must ensure that they continue to comply with the rules in [Appendix 5 of the Dispute Resolution: Complaints Sourcebook \(DISP App 5\)](#) that **are relevant to** their business. Read '[Information for firms on motor finance complaints](#)' for more information.
- 1.17** Consumers should be aware they can still complain to firms and that there are time limits for doing so. Consumers can check if our work applies to them and how to make a complaint. See '[How to make a Complaint](#)'.

What we will we do next

- 1.18** We intend to set out next steps in our review into the past use of DCAs in May 2025. By then, we expect to have analysed the data we have collected from firms, assessed the outcome of the Clydesdale Financial Services Limited (trading as Barclays Partner Finance) judicial review of the Financial Ombudsman's decision to uphold a DCA complaint (the Barclays Partner Finance judicial review) and, if appropriate, consulted our independent panel of cost benefit analysis experts on the cost benefit analysis underpinning our proposals. Figure 1, below, summarises the work we will be doing between now and December 2025.

Figure 1: Proposed work between now and December 2025



Chapter 2

The wider context

Our consultation

- 2.1** On 11 January 2024, we announced a review into whether motor finance customers have been overcharged because of the past use of DCAs. When announcing this work, we paused the 8-week deadline for motor finance firms to provide a final response to relevant customer complaints. We introduced the pause to prevent disorderly, inconsistent and inefficient outcomes for consumers and knock-on effects on firms and the market while we assessed the issue and determined the best way forward.
- 2.2** We're working hard to understand how the use of DCAs may have affected customers borrowing money to buy a vehicle. We're assessing thousands of records spanning 14 years.
- 2.3** Firms involved in our review have engaged with us constructively, but many have struggled to supply the data we need within the requested time. Reasons for this include firms not keeping older data, and data being stored on multiple systems, or being spread between lenders and brokers. We now have the necessary data. But the delays mean we will not be able to set out next steps by the end of September 2024 as originally expected.
- 2.4** Further, Barclays Partner Finance has also started judicial review proceedings of the Financial Ombudsman Service's decision to uphold a complaint relating to its use of a DCA. At the time of publishing this Policy Statement, the court has confirmed that the hearing will take place on 15-17 October 2024. This will be a 'rolled-up hearing', where the court will consider whether to grant permission and, if so, then hear the claim.
- 2.5** The extension to the pause will mean that firms will not have to issue a final response to DCA complaints until after 4 December 2025. It will also ensure that we can take account of the outcome of the Barclays Partner Finance judicial review as well as other potentially relevant litigation. The FCA is an interested party in the judicial review, and we anticipate the court's decision on the issues it raises is likely to be highly relevant in informing our next steps.
- 2.6** We asked the following 8 questions in CP24/15.

- Question 1:** *Do you agree with our proposal to extend the pause till 4 December 2025 to allow us to complete our diagnostic work and, if necessary, allow time for us to design, consult on and implement the most appropriate redress pathways open to us?*
- Question 2:** *What factors, including any unforeseen consequences, should we take into account when deciding whether the pause should end early?*
- Question 3:** *Do you agree with the requirement that firms should inform complainants of the pause when they send a written acknowledgement?*
- Question 4:** *Do you agree with the proposal to require firms to write to those complainants who have already received a written acknowledgment to explain that the pause has been extended?*
- Question 5:** *Do you agree with our proposal that the rules should continue to extend the time limit for referring DCA complaints to the Financial Ombudsman from 6 to 15 months (or 29 July 2026 if later) where the firm sent its final response within the timeframe specified in the rules?*
- Question 6:** *Do you agree with our proposal to require firms to write to complainants who have already received a final response letter if the time they have to refer a complaint to the Financial Ombudsman has been extended?*
- Question 7:** *Do you agree with our proposal that the period of the pause should not contribute to the 3-year period that firms are required to keep records of complaints for?*
- Question 8:** *Do you agree with our proposal that the rule requiring lenders and credit brokers to maintain and preserve any records that are or could be relevant to the handling of existing or future complaints or civil claims relating to DCAs, is kept in place for an extra 15 months?*

2.7 In the following chapter, we summarise the feedback received on each question and our response. We received feedback about the consultation proposals, as well as some feedback on broader, related issues. We have only considered feedback for this Policy Statement that is directly related to our consultation proposals. We do, however, welcome the broader feedback and, where relevant, we will consider it in our work on how motor finance DCA complaints should ultimately be resolved.

Chapter 3

Our response and next steps

Pause extension

Whether we should extend the pause

- 3.1** Question 1 asked if respondents agreed with our proposal to extend the pause till 4 December 2025 to allow us to complete our diagnostic work and, if necessary, allow time for us to design, consult on and implement the most appropriate redress pathways open to us.
- 3.2** Feedback to this question was mixed, with 16 respondents broadly agreeing with our proposal and 10 disagreeing. Five respondents did not answer this question. We set out the feedback's key themes below.

The impact of the pause extension on consumers

- 3.3** Respondents who disagreed with the pause extension said that it would mean any compensation owed to consumers would be delayed. Some of these respondents also said that consumers should be compensated for any delay to the payment of compensation through the addition of interest. Others said that the pause period should be excluded from any period over which interest would otherwise be payable. We also received feedback suggesting, because we proposed banning DCAs in 2019, we should have all the information we need to determine how DCA cases should be resolved before the end of 2024.
- 3.4** We also received suggestions on ways we could speed up our work, including:
- using our role as an interested party to the Barclays Partner Finance judicial review to emphasise the urgency of a decision on the case to the court
 - shortening consultation timeframes for future consultations to reflect the length of time that DCA issues have already been under consideration
 - ensuring prompt decisions on the treatment of some groups of consumers, which we understand to be a reference to prioritising the needs of consumers in vulnerable circumstances
 - identifying what steps we could take now to ensure firms are making appropriate provision for the payment of redress, if this is found to be owed, such as ringfencing funds

The impact of ongoing litigation on our decision making

- 3.5** Respondents who disagreed with the pause extension acknowledged the additional complexity from the judicial review and other litigation. They said, however, a 'balanced solution' that enables the complaints process to continue should be found. One respondent asked why the forthcoming judgments on motor finance commission cases

by the Court of Appeal are relevant to our work, as, in that respondent's view, these cases were not relevant to DCAs.

The risk of consumers being timed out of making a complaint

- 3.6** Respondents raised the impact of the pause extension on time limit rules that apply to complaining to the Financial Ombudsman. Those who agreed with the pause extension said we should ensure that consumers understand the time limits that apply to making a complaint, so that professional representatives and consumer advocates do not put pressure on consumers to make a complaint immediately, given the operational impact that this can have on firms. Those who disagreed with the pause extension, on the other hand, were concerned that, the longer the pause goes on, the more likely it is that consumers will be timed out from making a complaint to their firm and, subsequently, referring it to the Financial Ombudsman.

Ensuring an orderly end to the pause

- 3.7** Respondents said the pause extension would exacerbate the significant administrative and operational challenges that would have occurred at the end of the initial pause for motor finance firms (who will have to deal with an even greater accumulated backlog of complaints) and professional representatives (who will be inundated with responses to complaints), resulting in further delay and disruption to consumers. Respondents also asked whether, if we decided to consult on a consumer redress scheme, this would come into force immediately on 4 December 2025 or if firms would be given an implementation period.

Our response

We are proceeding with our proposals as consulted on. However, we recognise the strength of feeling from some respondents on the length of the pause extension.

The impact of the pause extension on consumers

Some consumers and their representatives may be disappointed by the proposed extension to the pause on the requirements for firms to provide a final response to DCA complaints. But, if we had not introduced the pause to enable us to investigate whether firms have acted in a non-compliant way and caused harm to consumers, the cycle of firms rejecting complaints and consumers and their representatives referring them to the Financial Ombudsman would have continued. This would have resulted in very significant volumes of DCA complaints going to the Financial Ombudsman and consumers waiting longer for their complaint to be resolved. The Financial Ombudsman has stopped issuing final decisions on the DCA complaints that have been already referred to it while it awaits the outcome of the Barclays Partner Finance judicial review and Court of Appeal decisions. So it is likely that consumers would have had to wait longer for their complaint to be resolved than would ordinarily have been the case.

As set out above, the primary purpose of the pause is to enable us to complete our assessment of whether there has been widespread misconduct by motor finance firms, and whether, as a result, consumers have lost out financially. And if so, how redress should be provided to them in an orderly, consistent and efficient manner. To do this, we will need to consider our own analysis of these matters, as well as the outcome of relevant litigation, particularly the Barclays Partner Finance judicial review.

Our decision to ban DCAs with effect from January 2021, and work leading up to it, does not mean we have all the information we need to announce by the end of 2024 how relevant motor finance DCA complaints should be resolved. When our ban came into force, we said, consistent with our general expectation that firms take steps to proactively rectify any harm they have caused, that we expected firms to review their systems and controls in light of our findings and address any harm or potential harm they identified. However, firms have consistently maintained that their use of DCAs did not amount to unfair or non-compliant behaviour and did not cause loss to consumers.

The clear case for us to undertake our own extensive review of practices within individual firms is:

- the significant number of firm-rejected DCA complaints that have since built up in the system
- the potentially significant impact of those complaints on the motor finance market
- the need to ensure individuals' complaints are resolved in an orderly, consistent and efficient manner

Our ongoing review aims to provide the broader and deeper evidence base necessary to understand whether there have been widespread failures that have caused loss to consumers and whether there is a need for regulatory action.

In CP24/15, we set out why our current review has been delayed. We also set out the significant steps we will need to take by December 2025 if we decide that firms should not return to business-as-usual complaint handling for DCA complaints because an alternative approach is required. In determining how much time we will need to complete these steps, we have been mindful of the impact on consumers. As an interested party to the Barclays Partner Finance judicial review, we have also urged the court to consider the case at the earliest opportunity. The court has now directed that, this autumn, both the decision on permission and substantive claim will be heard at the same time. This is known as a 'rolled-up hearing' and is an approach commonly used by the court for urgent cases. A judgment will hopefully be handed down before the end of 2024.

We have taken steps to help ensure firms preserve funds to pay any compensation that may be due. In April 2024, we sent a [Dear CEO letter](#) to all motor finance firms reminding them of the importance of maintaining adequate financial resources at all times. This includes for meeting any redress liabilities related to historical use of DCAs. Our Dear CEO letter also said we expect firms to analyse the impact of making any capital reduction, such as dividend payments, on their ability to meet potential future liabilities.

The impact of ongoing litigation on our decision making

In CP24/15, we said that we anticipate the court's decision on the issues raised in the Barclays Partner Finance judicial review is likely to be highly relevant in informing our next steps. This remains our view.

As we explained in CP24/15 we are also aware of 3 civil cases heard by the Court of Appeal in early July and are now awaiting judgment in the cases. As these cases involve motor finance commission, it is possible that we may need to consider the Court's judgment when determining the appropriate way forward.

When we introduced the pause in January 2024, we were clear that, wherever possible, firms should continue to progress DCA complaints while the pause is in force by continuing to investigate and collect evidence to help with their eventual resolution. We said that, even if we determined that such complaints should, ultimately, be resolved through an alternative approach, it is highly likely that firms would need to take such steps. However, until we have completed our diagnostic work in full and digested the outcome of the ongoing litigation, we cannot reach a view on the most appropriate redress pathway, if any, to consult on. And we do not think it is appropriate for firms to have to provide final responses to DCA complaints and referral rights to the Financial Ombudsman, unless vulnerable characteristics are identified.

Finally, neither the initial pause, nor the extension, affects the ability of consumers or their representatives to seek compensation through the courts.

The risk of consumers being timed out of making a complaint

Generally, to avoid being timed out from making a complaint to the Financial Ombudsman, consumers need to complain to their firm within 6 years of the event being complained about. Or, if later, within 3 years of the date they became aware (or ought reasonably to have become aware) that they had cause to complain. As many motor finance agreements involving DCAs were made, or ended, more than 6 years ago, it is likely that the 3-year rule will be more relevant for most consumers.

In any individual case, whether a consumer is timed out from making a complaint is a matter for the Financial Ombudsman. In our view, it is unlikely that our ban on DCAs in January 2021 would, in and of itself, automatically trigger the 3-year time limit in DISP for all consumers on

a blanket basis. However, limitation questions are fact sensitive, and the Financial Ombudsman will consider the circumstances of each complaint.

Ensuring an orderly end to the pause

It remains too early to say whether an alternative approach to redress will be needed. However, we agree with stakeholders' concerns about the need to ensure that, when the pause ends, complaints that have built up during the pause can be dealt with in an orderly manner. This important principle would also apply if we ended the pause before 4 December 2025 (see paragraph 3.8). We also agree with stakeholders' concerns about ensuring that, if we decide to consult on a consumer redress scheme, firms have enough time to implement and operationalise the scheme before they start reviewing historic cases.

Key considerations if the pause extension is ended early

- 3.8** Question 2 asked which factors, including any unforeseen consequences, we should take into account when deciding whether the pause should end early.
- 3.9** Comments focused on the operational impact of the pause ending early. Respondents were concerned that if we decided that firms should return to business-as-usual complaint handling (ie without further regulatory intervention), firms may have insufficient time to respond properly to complaints that had accumulated in their systems during the pause. One respondent said that, if we were to conclude there had not been widespread misconduct, we would need to ensure this finding was clearly communicated to consumers and professional representatives to minimise the risk of further complaints being made to firms.

Our response

We have noted stakeholders' helpful feedback to this question. If we decide that the pause should end earlier than 4 December 2025, we would consult on this change. In proposing to shorten the duration of the pause, particularly if we decide that complaint handling should resume in some capacity, we would be mindful of the operational impact on firms, given the large number of DCA complaints that will have built up in their systems since our initial intervention, and on the Financial Ombudsman. We are continuing to monitor the number of DCA complaints made to firms as part of a programme of regular reporting that we put in place following our initial intervention in January 2024.

Keeping complainants informed about the pause

- 3.10** Question 3 asked respondents if they agreed with the requirement that firms should inform DCA complainants of the pause when they send a written acknowledgement. Where complainants have already received a written acknowledgement, question 4

asked if respondents agreed with the proposal to write to those DCA complainants again to explain the pause has been extended.

- 3.11** Respondents to these questions generally agreed with the proposals. Several respondents said that we should be clear that firms are allowed to inform complainants of the existence of the pause electronically. Some respondents asked for clarity on the frequency of ongoing communications. Others questioned whether it was necessary to send multiple individual updates if the consumer was being professionally represented. One questioned whether updates were needed at all in this scenario.
- 3.12** On the content of the communication, we were also asked to consider whether an additional information requirement was needed to ensure that those with a DCA complaint are aware of the pause extension and the potential implications for them. There was also 1 suggestion that firms should make clear the pause may end sooner. One respondent asked us to encourage professional representatives to work with firms to recognise the complexity and volumes of complaints firms are dealing with.
- 3.13** Other comments related to the time it takes to establish whether a complaint involves a DCA.
- One respondent noted that firms may not be able to confirm that a complaint is in scope of the pause until they have determined whether DCA was used.
 - For this reason, another suggested that to help with providing prompt acknowledgements, firms should be able to inform complainants of the existence of the pause and allow more time to establish whether a DCA was used. They thought this could help prevent cases from being referred to the Financial Ombudsman while the use of DCA was established.
 - One respondent suggested that firms should be required to confirm the existence of a DCA within 4 weeks.
 - One respondent said that there must be adequate time allowed for firms to put this administrative arrangement in place.

Our response

We are proceeding with our proposals as consulted on.

Method and content of communication

The rules allow firms to send communications electronically. If a firm is aware that a complainant could have difficulty accessing information electronically, it should take reasonable steps to communicate with them in an alternative format. Our Principles for Businesses continue to apply to DCA complaints. Among other things, they require firms to treat customers fairly, including how they communicate with them. We also expect firms to exercise particular care with consumers in vulnerable circumstances. For example, if the firm is aware that the complainant could have difficulty accessing the information on our website, it should take reasonable steps to provide them with the information in an alternative format or a way of requesting it in an alternative format. Read our ['Guidance for firms on the fair treatment of vulnerable customers'](#).

Some firms would like us to provide standardised wording. However, any standardised wording we issue would not have been tested for firms' target markets. As firms can provide more effective communication if they take into account the likely recipients, we have decided not to provide standardised wording.

We have considered whether the communication from firms should contain additional information, but we are satisfied that the requirement for firms to direct complainants to our website is sufficient. Our website explains the reason for the extension to the pause. It will be updated to enable consumers to understand what the extension means for them. Any decision to end the pause at an earlier date will be subject to consultation. We do not consider it would be proportionate to require firms to refer to this as a possibility when informing complainants of the extension.

In our consultation we reminded firms of the obligation at DISP 1.6.1R(2) to ensure the complainant is kept informed of the progress of the measures being taken for the complaint's resolution. One scenario where this might apply is if there has been a significant development in relation to the complaint. Once complainants have been informed of the extension to December 2025, we would not expect firms to continue to remind them of the pause.

In line with our approach to other complaints where consumers might be represented, we consider it reasonable to require firms to send individual communications that can easily be passed on to the consumer.

We recognise that the short amount of time between this Policy Statement and the rules coming into force may be inconvenient. However, this is necessary to avoid DCA complaints becoming subject to complaint response deadlines again on 25 September 2024. Given that firms have been required to provide information about the pause since we introduced it without consultation in January 2024, we are satisfied that firms will be able to comply with this rule.

Timing of communication

We are not making changes to our proposals. Our rules will require firms to inform complainants who have a DCA complaint of the pause when sending a prompt written acknowledgement as required under DISP 1.6.1R(1). Firms will also be required to write to complainants who have already received a written acknowledgement to explain that the pause has been extended.

We are not introducing a rule requiring firms to acknowledge whether there is DCA within a specific timeframe. This is because, if a firm receives a complaint where the use of DCA has not been established, it will need to identify whether there was a DCA within 8 weeks to understand whether the pause rules apply. Identifying whether there was a DCA and sending an acknowledgement within 8 weeks will help prevent complaints being unnecessarily referred to the Financial Ombudsman.

We encourage professional representatives to work with firms to recognise the complexity and volumes of complaints that firms are dealing with. We are working with the Solicitors Regulation Authority (SRA) to ensure consistent messaging for FCA regulated CMCs and SRA regulated firms carrying out claims management activity. Earlier this year the SRA published *guidance* for firms they regulate when dealing with mass claims.

Our diagnostic work is focused on the historic use of motor finance DCAs that were banned in 2021. We are not extending the pause or any of the associated rules to include non-DCA complaints.

Referring a complaint to the Financial Ombudsman

- 3.14** Question 5 asked respondents if they agreed with our proposal to extend the time limit for referring DCA complaints to the Financial Ombudsman from 6 to 15 months (or 29 July 2026 if later) where a final response is sent within a certain timeframe.
- 3.15** In question 6, we then asked respondents if they agreed with our proposals to require firms to write to complainants who have already received a final response if the time they have to refer a complaint to the Financial Ombudsman has been extended.
- 3.16** Responses to question 5 were mixed. Around half of the respondents answered this question, with 7 clearly agreeing and 3 disagreeing with the extension. Respondents on both sides commented on the potential complexity of the rule.
- 3.17** Reasons for disagreeing varied. Some felt that consumers would not need so long to decide whether to refer a complaint to the Financial Ombudsman while others thought that it will cause confusion and lead to cases going to the Financial Ombudsman unnecessarily.
- 3.18** Those that agreed noted that an extension is necessary given the pause that is in place and that it would help in managing any flow of complaints to the Financial Ombudsman.
- 3.19** Several respondents queried the rationale for the extension, noting that it would potentially give some complainants until mid-2027 to refer a complaint to the Financial Ombudsman. Others queried whether it would lead to a spike in complaints to the Financial Ombudsman ahead of 29 July 2026. An alternative suggestion was to set the deadline at 6 months from date of final response or end of July 2026.
- 3.20** Several of the respondents also felt the extension should also apply to non-DCA complaints.
- 3.21** Several respondents to question 6 agreed that firms should write to consumers who have already received a final response if they will have more time to refer their complaint to the Financial Ombudsman. Those that did not agree either didn't agree with the extension in the first place or didn't give a reason.

- 3.22** Some respondents who agreed noted the operational impact this could have on firms. One noted that FCA media channels could be used to explain the extension to help relieve the burden on firms.

Our response

We want to ensure consumers are not forced to decide whether to refer a complaint to the Financial Ombudsman before we make an announcement on our next steps including, if appropriate, our approach to the provision of redress by firms to consumers. Under the existing rules there will be some complainants who have been sent a final response whose time to refer a complaint to the Financial Ombudsman will expire before May 2025, when we plan to make an announcement. We do not agree that giving consumers more time will lead to complaints being referred to the Financial Ombudsman unnecessarily. Rather, we think it will enable consumers to make a more informed decision about whether to refer their complaint to the Financial Ombudsman.

We also want to ease the operational impact on the Financial Ombudsman if we decide that our final approach to providing redress should be through consumer complaints.

The decision to give consumers who are sent a final response letter 15 months (rather than 6 months) to decide whether to refer their complaint to the Financial Ombudsman is consistent with the rule we introduced in January 2024. Keeping the time period the same and introducing the alternative deadline of 29 July 2026 for consumers whose 15 months expires before then reduces the potential for confusion that could be caused by having different timeframes depending on the date when a final response was sent.

We think that allowing any complainant who is sent a final response letter between 12 July 2023 and 29 January 2026 until the later of 15 months from the date the final response was sent or 29 July 2026 to be a relatively straightforward message to communicate.

The rule will only apply to those complaints that have been sent a final response since 12 July 2023. However, since we introduced the pause on 11 January 2024, many firms have chosen to not send final responses to DCA complaints. We expect to give more details on how complaints that have not had a final response should be dealt with when we set out our next steps in May 2025.

Informing complainants that they have more time

We are proceeding with the proposals as consulted on. We think it is important that individual consumers are informed that they have extra time. If consumers are unaware that they have more time they might be forced to decide to take a complaint to the Financial Ombudsman earlier than they might otherwise need to.

We will update our website so that consumers are able to see how much time they will have to take their complaint to the Financial Ombudsman if they were sent a final response on or after 12 July 2023 and have not yet referred it.

Table 1 helps firms and consumers understand the time consumers will have to refer their complaint to the Financial Ombudsman. Firms will be required to write to consumers in Group A to let them know that the deadline in their final response has been extended to 29 July 2026.

Table 1 – Time consumers will have to refer their complaint to the Financial Ombudsman

Group	Scenario	Time to refer a complaint to Financial Ombudsman
A	Consumer was sent a final response to their DCA complaint during the period beginning 12 July 2023 and ending 25 September 2024	Up to and including 29 July 2026
B	Consumer is sent a final response during the period beginning 26 September 2024 and ending 29 April 2025	Up to and including 29 July 2026
C	Consumer is sent a final response to their DCA complaint during period beginning 30 April 2025 and ending 29 January 2026	Within 15 months of the date the firm sends its final response to the complainant
D	Consumer is sent a final response to a DCA complaint on or after 30 January 2026	Within 6 months of the date the firm sends its final response to the complainant

Record keeping

- 3.23** Question 7 asked if respondents agreed with our proposal that the pause period should not contribute to the 3-year period that firms are required to keep records of complaints for.
- 3.24** Where a response to this question was given, respondents generally agreed with this proposal recognising the need for uniformity across regulatory reporting requirements. One respondent noted that there should be an immediate requirement that motor finance records should not be deleted or destroyed until after July 2027. Another disagreed with the proposal, noting that evidence may be required at a later stage.
- 3.25** There was 1 request for further clarity on record keeping time limits.

- 3.26** Question 8 asked if respondents agreed with our proposal that the rule requiring lenders and credit brokers to maintain and preserve any records that are or could be relevant to the handling of existing or future complaints or civil claims relating to DCAs, is kept in place for an extra 15 months.
- 3.27** Where a response to this question was given, most respondents agreed. Some respondents questioned whether the extension was long enough.
- 3.28** Some respondents flagged concerns about the additional record retention costs, particularly for smaller firms.

Our response

DISP 1.9.1R requires firms to keep a record of each complaint received and the measures taken for its resolution. It also requires firms to retain that record (in the case of DCA) complaints for 3 years from the date the complaint was received.

To allow for the pause but maintain consistency with the requirement in DISP 1.9.1R we are proceeding with the rule as consulted on. This means that for DCA complaints, the period beginning with 11 January 2024 and ending with 4 December 2025 will not contribute to the 3-year period.

The main comment about the rule requiring lenders and credit brokers to maintain and preserve any records that are or could be relevant to the handling of existing or future complaints or civil claims relating to DCAs related to whether keeping it in place for an extra 15 months is sufficient.

We have decided to extend the rule by an extra 15 months, that is to 11 April 2026, as an extension of 15 months is consistent with the amount of time we are extending the pause by. If necessary, we will revisit this once we announce the next steps in our review. Any further changes will be subject to consultation.

We note concerns about the additional costs of retaining records, especially for smaller firms but we're persuaded that the benefit of retaining these records for firms and consumers outweighs any potential cost.

Annex 1

List of respondents

1. We are obliged to include a list of the names of respondents to our consultation who have consented to the publication of their name. That list is as follows:

Asset Finance Solutions

Ashley Tiffen

Barings

Bott & Co

British Vehicle Rental and Leasing Association

Christian Dale

Christopher Parker

Claims Management Association

Claims Review Team

Close Brothers

Consumer Credit Trade Association

Courmacs Legal

Finance and Leasing Association

Financial Services Consumer Panel

Money Saving Expert

MotoNovo Finance

National Franchised Dealers Association

Pogust Goodhead

Richard Price

The Association of Consumer Support Organisations

The Claims Guys

Annex 2

Abbreviations used in this paper

Abbreviation	Description
CMCs	Claims Management Companies
DCA	Discretionary Commission Arrangement
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
Financial Ombudsman	Financial Ombudsman Service
FSMA	Financial Services and Markets Act 2000
SRA	Solicitors Regulation Authority

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Appendix 1

Made rules (legal instrument)

DISPUTE RESOLUTION: COMPLAINTS SOURCEBOOK (MOTOR FINANCE DISCRETIONARY COMMISSION ARRANGEMENT COMPLAINTS) (AMENDMENT) INSTRUMENT 2024

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 138D (Actions for damages);
 - (4) section 139A (Power of the FCA to give guidance);
 - (5) section 226 (Compulsory jurisdiction); and
 - (6) paragraph 13 (FCA’s rules) of Schedule 17 (The Ombudsman Scheme).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 26 September 2024.

Amendments to the Handbook

- D. The Dispute Resolution: Complaints sourcebook (DISP) is amended in accordance with the Annex to this instrument.

Citation

- F. This instrument may be cited as the Dispute Resolution: Complaints Sourcebook (Motor Finance Discretionary Commission Arrangement Complaints) (Amendment) Instrument 2024.

By order of the Board
18 September 2024

Annex

Amendments to the Dispute Resolution: Complaints sourcebook (DISP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

App 5 Relevant motor finance discretionary commission arrangement complaint handling rules

App 5.1 Purpose, interpretation and application

...

Interpretation

App 5.1.2 R (1) For the purposes of this appendix, a relevant motor finance DCA complaint is a *complaint* where:

...

(d) the *respondent*:

(i) received the *complaint* in the period beginning with 17 November 2023 and ending with ~~25 September 2024~~ 4 December 2025; or

(ii) sent a *final response* to the *complaint* in the period beginning with 12 July 2023 and ending with ~~20 November 2024~~ 29 January 2026.

...

...

App 5.2 Complaint handling rules in respect of a relevant motor finance DCA complaint

Time limits for a final response, consideration by the Ombudsman and complaints records

App 5.2.1 R (1) This *rule* applies in respect of a *relevant motor finance DCA complaint*:

(a) that is received in the period beginning with 17 November 2023 and ending with ~~25 September 2024~~ 4 December 2025; and

(b) in relation to which a *final response* has not been sent.

(2) For the purpose of calculating the eight-week period in:

- (a) *DISP* 1.6.2R;
- (b) *DISP* 1.6.7G;
- (c) *DISP* 2.8.1R(2); and
- (d) *DISP* 2.8.1R(4)(a),

time is to be treated as not running for the period of ~~thirty-seven weeks~~ beginning with 11 January 2024 and ending with ~~25 September 2024~~ 4 December 2025.

(3) The three-year period in *DISP* 1.9.1R(2) (Complaints record rule) is to be treated as not running for the period beginning with 11 January 2024 and ending with ~~25 September 2024~~ 4 December 2025.

5.2.1A G *DISP* App 5.2.1R(2) has the effect of extending the period during which the eight weeks referenced in the specified provisions are not treated as running for relevant motor finance DCA complaints received between 17 November 2023 and 4 December 2025. For relevant complaints that were received between 17 November 2023 and 25 September 2024, the time period had previously been modified (see [Dispute Resolution: Complaints Sourcebook \(Motor Finance Discretionary Commission Arrangement Complaints\) Instrument 2024 \(FCA 2024/1\)](#)).

Time limits for referring a complaint to the Ombudsman

App 5.2.2 R (1) ~~Where~~ This rule applies where a final response to a relevant motor finance DCA complaint is sent in the period beginning with 12 July 2023 and ending with 20 November 2024, the six-month period in *DISP* 2.8.2R(1) is extended to fifteen months 29 January 2026.

(2) If a final response is sent in the period beginning with 12 July 2023 and ending with 29 April 2025, *DISP* 2.8.2R(1) is modified so that the Ombudsman cannot consider a complaint if it is referred to the Financial Ombudsman Service on or after 30 July 2026.

(3) If a final response is sent in the period beginning with 30 April 2025 and ending with 29 January 2026, *DISP* 2.8.2R(1) is modified so that the Ombudsman cannot consider a complaint if it is referred to the Financial Ombudsman Service more than fifteen months after the date on which the respondent sent the complainant its final response.

App 5.2.2A G *DISP* App 5.2.2R has the effect of extending the time in which a relevant motor finance DCA complaint can be referred to the Financial Ombudsman Service. This includes those complaints in relation to which a final response

was sent between 12 July 2023 and 25 September 2024 where the *six-month period* in *DISP 2.8.2R(1)* was previously extended to *fifteen months* (see [Dispute Resolution: Complaints Sourcebook \(Motor Finance Discretionary Commission Arrangement Complaints\) Instrument 2024 \(FCA 2024/1\)](#)).

- App 5.2.3 R (1) This rule applies in respect of a *relevant motor finance DCA complaint* where a *final response* is sent in the period beginning with 11 January 2024 and ending with 20 November 2024.
- (2) For the purpose of complying with *DISP 1.6.2R(1)(f)*, the appropriate wording to include in a *final response*, as set out in *DISP 1 Annex 3R(1), (2) and (3)*, is modified so that the references to ‘six months’ in these *rules* are substituted with ‘fifteen months’. ~~[deleted]~~

Communicating with consumers

- App 5.2.4 R (1) A *respondent* must update any information it has published pursuant to *DISP 1.2.1R(1)* as soon as is practicable to:
- (a) inform consumers of the pause to time limits for a *final response* as set out in *DISP App 5.2.1R(2)*; and
- (b) refer them to ~~fea.org.uk/car-finance-complaints~~ fca.org.uk/carfinance, which explains the reason for the pause.
- (2) This rule *rule* applies until ~~21 November 2024 23:59~~ on 29 January 2026.

Communicating with complainants

- App 5.2.5 R In relation to a *relevant motor finance DCA complaint* received in the period beginning with 11 January 2024 and ending with 25 September 2024:
- (1) ~~*DISP 1.6.1R* applies as modified by this rule.~~
- (2) Where a *respondent* has:
- (a) ~~on or before 10 January 2024 sent a written acknowledgement in accordance with *DISP 1.6.1R(1)* but has not sent a *final response* in accordance with *DISP 1.6.2R(1)*, the *respondent* must:~~
- (i) ~~promptly inform the complainant in writing of the pause to the time limits as set out in *DISP App 5.2.1R(2)*; and~~
- (ii) ~~comply with (3);~~
- (b) ~~not, on or before 10 January 2024, sent a complainant a written~~

acknowledgement in accordance with *DISP* 1.6.1R(1), and has not sent a *final response* in accordance with *DISP* 1.6.2R(1), the *respondent* must:

- (i) explain the pause to time limits set out in *DISP* App 5.2.1R(2) when complying with *DISP* 1.6.1R(1); and
- (ii) comply with (3).

(3) ~~A *respondent* must direct the complainant to the information published at [fca.org.uk/car-finance-complaints](https://www.fca.org.uk/car-finance-complaints), which explains the reason for the pause. [deleted]~~

App
5.2.5A

- R (1) This rule applies where a *respondent*:
- (a) received a *relevant motor finance DCA complaint* in the period beginning with 17 November 2023 and ending with 25 September 2024; and
 - (b) has not sent a *final response* in relation to that *complaint*.
- (2) A *respondent* must:
- (a) promptly inform the complainant in writing of the extension to the pause to time limits as set out in *DISP* App 5.2.1R(2); and
 - (b) direct the complainant to the information published at [fca.org.uk/carfinance](https://www.fca.org.uk/carfinance), which explains the reason for the pause.

App
5.2.5B

- G *DISP* App 5.2.5AR means that a *respondent* who sent a written acknowledgment to a *relevant motor finance DCA complaint* in the period beginning with 17 November 2023 and ending with 25 September 2024 should update the complainant that the pause to the eight-week period to send a *final response* now ends with 4 December 2025.

App
5.2.5C

- R (1) This rule applies where a *respondent* receives a *relevant motor finance DCA complaint* in the period beginning with 26 September 2024 and ending with 4 December 2025.
- (2) When a *respondent* sends a written acknowledgement in accordance with *DISP* 1.6.1R(1), they must also:
- (a) inform the complainant in writing of the pause to the time limits as set out in *DISP* App 5.2.1R(2); and
 - (b) direct the complainant to the information published at [fca.org.uk/carfinance](https://www.fca.org.uk/carfinance), which explains the reason for the pause.

Communicating the Financial Ombudsman Service temporary time limits

- App 5.2.6 R (1) ~~This rule applies to a relevant motor finance DCA complaint where a final response is sent in the period beginning with 12 July 2023 and ending with 20 November 2024.~~
- (2) ~~Where, in accordance with DISP 1.6.2R(1), a respondent has on or before 10 January 2024 sent a complainant a final response, the respondent must promptly in writing inform the complainant that:~~
- ~~(a) the time limit to refer the complaint to the Financial Ombudsman Service has been extended to fifteen months beginning with the day on which the respondent sent its final response;~~
- ~~(b) the six-month time limit contained in the Financial Ombudsman Service's standard explanatory leaflet does not apply; and~~
- ~~(c) the information at fca.org.uk/car-finance-complaints explains the reason for the extension.~~
- (3) ~~Where a respondent has not on or before 10 January 2024 sent a complainant its final response, it must, when complying with DISP 1.6.2R(1):~~
- ~~(a) explain that the time limit to refer the complaint to the Financial Ombudsman Service is fifteen months beginning with the day on which the respondent sent its final response; and~~
- ~~(b) provide the information contained in (2)(b) and (c). [deleted]~~
- App 5.2.7 R (1) This rule applies to a relevant motor finance DCA complaint where a final response was sent in the period beginning with 12 July 2023 and ending with 25 September 2024.
- (2) A respondent must:
- (a) promptly inform the complainant in writing that the time limit to refer the complaint to the Financial Ombudsman Service now ends with 29 July 2026; and
- (b) direct the complainant to the information published at fca.org.uk/carfinance, which explains the reason for the extension.
- App 5.2.8 G DISP App 5.2.7R means that a respondent who sent a final response to a complainant in the period beginning with 12 July 2023 and ending with 25 September 2024 should update that complainant that the time limit to refer

the complaint to the Financial Ombudsman Service pursuant to DISP 2.8.2R(1) has been extended to 29 July 2026.

App
5.2.9

- R (1) This rule applies to a relevant motor finance DCA complaint where a final response is sent in the period beginning with 26 September 2024 and ending with 29 January 2026.
- (2) When providing a final response in accordance with DISP 1.6.2R(1), a respondent must:
- (a) inform the complainant that the time limit to refer the complaint to the Financial Ombudsman Service has been extended in accordance with DISP App 5.2.2R;
 - (b) set out the date by which the complainant must refer the complaint to the Financial Ombudsman Service;
 - (c) explain that the six-month time limit contained in the Financial Ombudsman Service's standard explanatory leaflet does not apply; and
 - (d) direct the complainant to the information published at [fca.org.uk/carfinance](https://www.fca.org.uk/carfinance), which explains the reason for the extension.
- (3) For the purpose of complying with DISP 1.6.2R(1)(e) and (f) (if applicable), the wording to include in a final response is modified so that:
- (a) references to 'within six months of the date of this letter' in DISP 1 Annex 3R(1) and (2), are substituted with either:
 - (i) 'on or before 29 July 2026' if a respondent sends a final response on or before 29 April 2025; or
 - (ii) 'within fifteen months of the date of this letter' if a respondent sends a final response on or after 30 April 2025; and
 - (b) the reference to 'is usually six months' in DISP 1 Annex 3R(3) is substituted with either:
 - (i) 'is, in this case, on or before 29 July 2026' if a respondent sends a final response on or before 29 April 2025; or
 - (ii) 'is, in this case, fifteen months' if a respondent sends a final response on or after 30 April 2025.

App 5.3 General record retention

App
5.3.1

R (1) *Lenders and credit brokers* must retain and preserve records:

...

(2) The requirement in (1) applies:

(a) regardless of whether a *relevant motor finance DCA complaint* has been made; and

(b) in the period beginning with 11 January 2024 and ending with ~~10 January 2025~~ 11 April 2026.

...

