# Car loan complaints surge in the UK, raising concerns of a new financial crisis



Complaints regarding car loans in the UK have reached unprecedented levels, as consumers lodged a record number of cases with the Financial Ombudsman Service (FOS). According to the FOS, there were 18,658 new car loan-related cases in the three months leading up to December, surpassing complaints related to credit cards and marking a significant shift in the dynamics of consumer financial issues in the UK.

This surge in complaints has raised concerns that car loans are swiftly emerging as a major consumer finance crisis, reminiscent of the payment protection insurance (PPI) scandal, during which banks were forced to pay £50 billion in redress. The situation has also intensified scrutiny on regulatory bodies, particularly as the FOS finds itself in a state of upheaval. Last month, the chief executive of the FOS resigned unexpectedly, coinciding with the chair’s call for a significant overhaul of the organisation's regulations.

City executives have voiced their discontent with the FOS, arguing that the ombudsman is too quick to grant compensation to consumers, which they believe may discourage foreign investment in the sector. In response to the mounting pressure, the UK government has initiated a review of the current redress system.

The data from the final quarter of 2024 indicated that complaints concerning car finance had risen by a third compared to the previous quarter and had more than tripled in number over the past year, reaching an all-time high. Cases encompass both hire purchase and conditional sale car financing agreements.

Despite the ongoing increase in car finance complaints, the Financial Conduct Authority (FCA) has temporarily paused the complaints process in this area while awaiting a pivotal Supreme Court ruling. Next month, the court is scheduled to hear an appeal from car loan providers challenging a previous Court of Appeal ruling that sided with consumers regarding hidden commissions on car loans. This ruling deemed it unlawful for banks to pay commissions to car dealers without the informed consent of customers. Analysts from HSBC have estimated that the possible compensation costs associated with this case could amount to around £44 billion.

Adding to the complexity, a High Court ruling in December upheld a previous FOS decision stating that Barclays had unfairly added a £1,300 commission to a car loan in 2018; Barclays is currently appealing that ruling.

James Dipple-Johnstone, the interim chief ombudsman, highlighted the ongoing volume of car finance commission cases, stating, “We are continuing to see high volumes of motor finance commission cases and would encourage businesses to consider whether complaints are covered by the FCA’s temporary complaint handling rules.” As a proactive measure to prevent delays in adjudications, the FOS is beginning preliminary investigations into car finance cases, which Dipple-Johnstone noted would help resolve them swiftly once clarity is achieved.

Overall, while car loan-related complaints surged, the total number of cases lodged with the FOS did decline to 68,430 in the last quarter of 2024, reflecting a 7 per cent decrease from the previous quarter. Notably, nearly 80 per cent of the car loan complaints filed during this period were submitted by professional representatives such as claims management companies, which assist consumers in exchange for a portion of any compensation awarded. The ombudsman revealed that these firms accounted for 47 per cent of all complaints received between April and December last year, up from 21 per cent in the same timeframe a year prior.

The FOS reported that 36 per cent of complaints brought directly by consumers were upheld, in contrast to only 26 per cent of those lodged by professional representatives. Starting next month, the FOS has announced that it will begin charging claims management companies for initiating cases. This move comes as part of broader efforts to manage the rising tide of complaints and to seek a resolution in the complex landscape of car loan financing issues in the UK.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.fca.org.uk/consumers/car-finance-complaints> - This URL supports the information about car finance complaints and the process for consumers to make complaints, including the role of the Financial Ombudsman Service. It also provides details on how to handle complaints related to discretionary commission arrangements.
* <https://www.moneyhelper.org.uk/en/blog/car-finance/how-to-complain-about-mis-sold-car-finance> - This URL corroborates the details about mis-sold car finance, the FCA's investigation into potential mis-selling, and the process for consumers to complain about car finance issues. It also warns about scams related to mis-sold car finance.
* <https://www.financial-ombudsman.org.uk/businesses/complaints-deal/consumer-credit/car-finance/complaints-about-commission> - This URL provides information on complaints about car finance commission and the temporary complaint-handling rules set by the FCA, which affect how these complaints are processed.
* <https://www.fca.org.uk/news/news-stories/fca-extends-temporary-complaint-handling-rules-car-finance> - Although not directly available, this hypothetical URL would typically provide updates from the FCA on extending temporary complaint-handling rules for car finance, aligning with the article's mention of regulatory actions.
* <https://www.noahwire.com> - This URL is the source of the article itself, providing context for the surge in car loan complaints and the broader financial implications in the UK.