# Supreme Court set to decide on billions in refunds for unlawful UK car finance charges



Amid the evolving landscape of the UK car finance industry, a significant potential windfall awaits consumers who may have been unjustly charged over the past 14 years. My Claim Group, an organisation dedicated to assisting those affected, reports a surge in inquiries from drivers believing they are owed refunds for car finance agreements entered into between 2007 and 2021. This influx of claims comes in the wake of a pivotal court case that stands to reshape the financial responsibilities of car finance providers.

At the heart of this issue is an important ruling from the Court of Appeal, which deemed all car finance agreements containing hidden commissions to be unlawful. This decision has significantly widened the net of potential claimants; if upheld by the Supreme Court, it could result in refunds amounting to tens of billions of pounds. Following a hearing on April 1, the Supreme Court's judgment is highly anticipated, with expectations that it may be expedited due to the case's implications on a vast number of consumers.

Two key factors are under scrutiny: Discretionary Commission Arrangements (DCAs) and Commission Disclosure complaints. Approximately 40% of all car finance agreements made between 2007 and 2021 involve DCAs, which allowed brokers and dealers to inflate interest rates without clear disclosure. This practice, chiefly aimed at boosting commissions, has come under increasing scrutiny. Meanwhile, the broader issue of commission disclosure, affecting nearly all car finance arrangements, means that up to 99% of individuals who entered into car finance deals during this period could potentially be entitled to compensation.

The ramifications of the Supreme Court's ruling will dictate the path forward for drivers affected by these unlawful practices. Should the Supreme Court uphold the Court of Appeal's decision, the Financial Conduct Authority (FCA) has pledged to implement a robust framework detailing the compensation process within weeks of the judgment. Experts estimate that up to £10 billion could be reserved for refunds if the ruling is upheld. Conversely, if the ruling is overturned, while the number of eligible claims would decrease significantly, a substantial financial liability would still remain, amounting to billions.

As these legal proceedings unfold, it remains critical for affected consumers to lodge claims proactively. This is particularly relevant for those who may have moved residences or changed contact information since their agreement, ensuring they are included in any outreach from lenders regarding refunds.

Underpinning all this is the response from financial institutions, particularly as providers like Lloyds Banking Group establish provisions to mitigate the costs associated with potential claims. Notably, Lloyds has allocated £450 million for this purpose, although analysts remain sceptical about the sufficiency of this figure given the broad scope of potential liabilities, which could extend to £2 billion or more.

Further complications have emerged for other industry players, such as Volkswagen Financial Services, recently penalised by the FCA for mishandling customer distress cases. With a £5.4 million fine and a commitment to compensate over £21 million to affected customers, the incident underscores a growing scrutiny over automotive financial practices and consumer rights.

As we await the Supreme Court's decision, the government and regulatory bodies are poised to address the concerns at hand. With the FCA preparing to consider an industry-wide redress scheme aimed at simplifying compensation processes, the car finance landscape may witness a significant overhaul that prioritises transparency and fairness for consumers.

Ultimately, the coming months are set to be pivotal for the UK car finance sector, with drivers holding their breath for what could be a transformative shift in their financial obligations.

### Reference Map

1. [[1]](https://www.walesonline.co.uk/news/cost-of-living/uk-car-finance-scandal-key-31625468)
2. [[2]](https://www.theguardian.com/business/2024/oct/25/consumers-win-uk-car-finance-case-could-billions-compensation)
3. [[3]](https://www.reuters.com/business/finance/lloyds-profit-jumps-sets-aside-450-million-pounds-motor-finance-review-2024-02-22/)
4. [[4]](https://www.reuters.com/business/autos-transportation/uk-financial-regulator-fines-volkswagen-unit-customer-mistreatment-2024-10-21/)
5. [[5]](https://www.theguardian.com/business/2024/dec/11/supreme-court-permission-appeal-uk-car-finance-ruling)
6. [[6]](https://www.moneysavingexpert.com/news/2025/03/martin-lewis-car-finance-mis-selling-redress/)
7. [[7]](https://www.autoexpress.co.uk/consumer-news/365039/car-finance-scandal-firms-given-more-time-process-complaints-fca)

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## Bibliography

1. <https://www.walesonline.co.uk/news/cost-of-living/uk-car-finance-scandal-key-31625468> - Please view link - unable to able to access data
2. <https://www.theguardian.com/business/2024/oct/25/consumers-win-uk-car-finance-case-could-billions-compensation> - In October 2024, the Court of Appeal ruled that it was unlawful for lenders to pay undisclosed commissions to car dealers without borrowers' knowledge. This landmark decision could lead to billions of pounds in compensation for consumers who were mis-sold car finance agreements between 2007 and 2021. The ruling has significant implications for the motor finance industry, prompting lenders to set aside substantial provisions for potential claims. The Financial Conduct Authority (FCA) is considering an industry-wide redress scheme to compensate affected customers.
3. <https://www.reuters.com/business/finance/lloyds-profit-jumps-sets-aside-450-million-pounds-motor-finance-review-2024-02-22/> - Lloyds Banking Group reported a 57% increase in annual profit, reaching £7.5 billion in 2023, despite the UK's economic struggles and a £450 million provision for potential costs related to a regulatory review into motor finance. The provision is intended for potential customer compensation claims for overcharged car loans. The bank's shares dropped by 1.4% following the announcement as analysts questioned the sufficiency of the set-aside amount, with potential costs estimated as high as £2 billion.
4. <https://www.reuters.com/business/autos-transportation/uk-financial-regulator-fines-volkswagen-unit-customer-mistreatment-2024-10-21/> - The Financial Conduct Authority (FCA) fined Volkswagen Financial Services (UK) Limited £5.4 million for unfairly treating customers in financial distress between 2017 and 2023. The company failed to consider alternative options before repossessing vehicles from vulnerable customers and sent poorly formatted, automated communications. Volkswagen Financial Services agreed to provide over £21.5 million in compensation to approximately 110,000 affected customers and committed to redressing the situation.
5. <https://www.theguardian.com/business/2024/dec/11/supreme-court-permission-appeal-uk-car-finance-ruling> - The Supreme Court granted permission for two car lenders, Close Brothers and FirstRand Bank, to appeal against a landmark ruling on motor finance commission payments. The Court of Appeal had previously ruled that paying undisclosed commissions to car dealers without borrowers' knowledge was unlawful. The Supreme Court's decision to hear the appeal could have significant implications for the motor finance industry, with potential compensation claims estimated to be up to £30 billion.
6. <https://www.moneysavingexpert.com/news/2025/03/martin-lewis-car-finance-mis-selling-redress/> - Martin Lewis, founder of MoneySavingExpert, announced that the Financial Conduct Authority (FCA) plans to consult on an industry-wide redress scheme for car finance mis-selling. The scheme would require lenders to proactively contact affected borrowers and offer compensation based on FCA rules. This approach aims to simplify the process for consumers and ensure fair and consistent payouts. The FCA's decision is expected within six weeks of the Supreme Court's ruling on the matter.
7. <https://www.autoexpress.co.uk/consumer-news/365039/car-finance-scandal-firms-given-more-time-process-complaints-fca> - The UK's Financial Conduct Authority (FCA) has extended the deadline for firms to handle complaints related to undisclosed car finance commissions until December 2025. This extension aims to prevent disorderly and inefficient outcomes for consumers and firms. The decision follows a landmark Court of Appeal ruling that deemed undisclosed commissions unlawful, potentially leading to billions of pounds in compensation for consumers. The Supreme Court is set to hear an appeal on this matter in April 2025.