

News release

SRA and FCA warn law firms and claims management companies over poor practices in motor finance commission claims

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The Solicitors Regulation Authority (SRA) and Financial Conduct Authority (FCA) are warning law firms and claims management companies (CMCs) to make sure they are complying with rules around how motor finance commission claims should be handled.

If, following the Supreme Court judgment, the FCA concludes [motor finance consumers](https://www.fca.org.uk/consumers/car-finance-complaints) [\[https://www.fca.org.uk/consumers/car-finance-complaints\]](https://www.fca.org.uk/consumers/car-finance-complaints) have lost out, it is likely to consult on a free redress scheme for relevant motor finance customers. Any scheme would set out rules for how claims should be assessed and calculated and would be easy for consumers to understand and access.

The SRA and FCA expect law firms and CMCs to inform clients of the existence of a redress scheme, or where there is a realistic prospect of one being introduced, which would allow them to pursue a claim for themselves, free of charge. This must be done before a client signs any agreement with them. This applies even if the redress scheme has not yet been confirmed.

Before entering into an agreement with potential clients, SRA rules require law firms to make consumers aware of their rights of termination under the agreement, and any fee that may be payable by consumers if they do not go ahead. Any charges that are applied by law firms or CMCs must be fair and reasonable.

The FCA's rules require CMCs to inform customers of their right to exit the agreement at any time and any fee that may be payable by them. Any fee must be reasonable and reflect the work actually undertaken.

Submitting a claim through a law firm or CMC can result in consumers sacrificing up to 30% of any award in fees.

The FCA and SRA have become increasingly concerned about the conduct of some law firms and CMCs in this area. Concerns include:

- the volume and accuracy of marketing materials, and how information is shared or verified when clients are passed on from third parties



- a failure to advise consumers about the availability of free-to-claim alternatives
- law firms and CMCs providing inaccurate or misleading information on the likelihood of success or potential value of a claim.

Paul Philip, Chief Executive of the SRA, said: 'We are very concerned about some of the practices we are seeing in the motor finance commission claim market. Law firms have a regulatory duty to act in the best interests of their clients.'

'But if they mislead clients, fail to get their explicit consent, do not explain cost information clearly or are not sharing the required information on free alternative routes before signing them up, they are clearly failing to meet their obligations.'

'Where we find cases where firms are not acting in the best interest of their clients, we will investigate and take action.'

Sheree Howard, Executive Director at the FCA, added: 'We've seen law firms and CMCs advertising highly speculative figures, so we are warning them of our expectations when it comes to drumming up clients for motor finance commission claims. We will take action if we see evidence of poor practice.'

'Consumers do not need to use a CMC or a law firm. If we introduce a redress scheme for motor finance, we will aim to make it easy for people to take part.'

'Consumers should be aware that by signing up now with a CMC or law firm, they may end up paying for a service they do not need and losing up to 30% of any money they may receive.'

The SRA and FCA are working closely together on this issue and will continue to take action where they find evidence of poor practice.

Over the last year, the FCA has required 224 motor finance commission promotions to be amended or withdrawn. While as of June 30, the SRA has 89 live investigations into 73 law firms, linked to potential breaches of its rules relating to high-volume claims work.

The [FCA \[https://www.fca.org.uk/about/what-we-do/the-fca\]](https://www.fca.org.uk/about/what-we-do/the-fca) is the regulator of financial services firms in the UK (including CMCs), setting standards for firms to meet and holding them to account if they don't. The FCA's strategic objective is to make sure relevant markets function well. Its operational objectives are to protect consumers, the integrity of the UK financial system and promote effective competition in the interests of consumers. It also has a secondary objective to facilitate the international competitiveness and growth of the UK economy in the medium to long term (subject to alignment with international standards).

CMCs and law firms should ensure they are familiar with the FCA's and SRA's rules on motor finance commission complaints and that they keep up to date with any announcements made by the FCA and SRA.

If a consumer is unhappy with any fee they are charged for exiting an agreement, they can refer a complaint to the [Claims Management Ombudsman](https://cmc.financial-ombudsman.org.uk/) [https://cmc.financial-ombudsman.org.uk/] or the [Legal Ombudsman](https://www.legalombudsman.org.uk/) [https://www.legalombudsman.org.uk/].

The FCA will confirm within six weeks of the Supreme Court judgment whether it will propose to introduce a redress scheme for motor finance customers. If the FCA decides to propose a redress scheme, it will publish a consultation, which will give interested stakeholders the opportunity to share their views.