

13 October 2025

MOTOR FINANCE UPDATE

Further to the recent FCA announcement and consultation paper on an industry wide redress scheme for motor finance, following the Supreme Court judgment handed down on 1 August 2025, the Group has now undertaken an assessment of the implications and impact of the proposed redress scheme.

As previously stated, in establishing our existing provision of £1.15 billion the Group created a range of scenarios to address uncertainties on a number of key inputs, including regulatory responses and outcomes in relation to redress. The FCA consultation paper has provided further detail on its proposed redress approach, in particular the products in scope, situations where it considers inadequate disclosure would give rise to an unfair relationship, proposed redress methodology, engagement approach and time bar. Based on the FCA proposals in their current form, the potential impact is at the adverse end of the range of previous expected outcomes. The proposals are subject to consultation and there remain a number of uncertainties. Accordingly, the Group's approach continues to consider a probability weighted outcome considering a range of scenarios, including scenarios that represent sensitivities to the FCAs current proposals, and intends to take an additional charge of £800 million. This reflects the increased likelihood of a higher number of historical cases, particularly DCA, being eligible for redress, including those dating back to 2007 and also the likelihood of a higher level of redress than anticipated in the previous scenario based provision, reflecting the FCA's proposed redress calculation approach, which is less closely linked to actual customer loss than previously anticipated.

The Group remains committed to ensuring customers receive appropriate redress where they suffered loss, however the Group does not believe that the proposed redress methodology outlined in the consultation document reflects the actual loss to the customer. Nor does it meet the objective of ensuring that consumers are compensated proportionately and reasonably where harm has been demonstrated. In addition, the approach to unfairness in the redress scheme does not align with the legal clarity provided by the recent Supreme Court judgment in Johnson, in which unfairness was assessed on a fact specific basis and against a non-exhaustive list of multiple factors. The Group will make representations to the FCA accordingly.

The current FCA proposals remain a consultation and the ultimate outcome may evolve in response to representations made by various parties as well as further legal proceedings and complaints or any other broader implications of the Supreme Court judgment. However, the total £1.95 billion provision, including both redress and operational costs, represents the Group's best estimate of the potential impact of the motor finance issue.

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