

FAQ – Judgment in respect of the Hopcraft case

What is the background to the Hopcraft case?

The case relates to a motor finance transaction undertaken in January 2014, and was originally determined in Close Brothers Limited (“CBL”)’s favour by the County Court. It was appealed by the Claimant and heard in early July 2024 by the Court of Appeal together with two separate claims made against another lender.

What is the outcome of the Hopcraft case?

On 25 October 2024, the Court of Appeal upheld the Claimants’ appeal against CBL. The Court of Appeal determined that motor dealers acting as credit brokers owe both a disinterested duty and a duty of loyalty (“fiduciary duty”) to their customers. This sets a higher bar for the disclosure of and consent to the existence, nature, and quantum of any commission paid than that required by current FCA rules, or regulatory requirements in force at the time of the case in question.

Are you appealing the Court of Appeal’s judgment?

CBL disagrees with the Court of Appeal’s judgment. The Supreme Court confirmed on 11 December 2024 that it has granted CBL permission to appeal the Court of Appeal’s judgment.

When will the hearing of the appeal take place?

The hearing of the appeal has been scheduled for three days from 1 to 3 April 2025.

What are the potential implications for Close Brothers?

The financial impact of the Court of Appeal’s Judgment in the Hopcraft case in isolation is not material to the group. However, subject to the appeal to the UK Supreme Court, the judgment may set a precedent for similar claims, which may (depending on the specific facts of those cases) result in significant liabilities for the group.

In light of recent developments in relation to motor finance commissions, the group has reviewed its accounting assessment of these matters. These recent developments include, in addition to the Court of Appeal’s Judgment and the appeal to the Supreme Court, the FCA’s ongoing review into motor finance commission arrangements.

As a result, the group recognised a provision in relation to motor finance commissions of £165 million in the H1 2025 financial statements. This includes estimates for certain potential operational and legal costs, as well as estimates for

potential remediation for affected customers. The provision is based on probability weighted scenarios using various assumptions. These include, for example, commission models, rates and time periods in scope of any regulatory redress scheme, as well as response and uphold rates.

The provision is the outcome of a thorough assessment, representing the group's current evaluation based on available information and recent developments. There remains significant uncertainty as to the range of outcomes from the Supreme Court appeals and the FCA's ongoing review of motor finance commissions and, therefore, the ultimate cost to the group could be materially higher or lower than the provision taken.

In March 2024, we announced a number of management actions aimed at strengthening the group's available CET1 capital by approximately £400 million by the end of the 2025 financial year. These actions have largely been implemented and, as a result, have significantly strengthened the group's capital, resulting in, as of 31 January 2025, approximately £360 million of CET1 capital generated or preserved (relative to the capital trajectory projected at the time) and a pro-forma CET1 capital ratio of 13.4%, significantly above our applicable regulatory requirement of 9.7%. We continue to evaluate additional potential RWA optimisation opportunities to maintain resilience and flexibility, a continuous review of our businesses and portfolios, and other tactical actions.

We temporarily paused UK motor finance lending on 25 October. Since 2 November, we have gradually resumed new business origination, with all of our lending channels live from January 2025. We expect underwriting volumes to return to levels seen prior to the October pause by Q4 of the 2025 financial year. All new business is written with updated documentation and processes to ensure disclosure of, and customer consent to, our relationship with brokers and commission amounts on finance agreements before customers enter into credit agreements. We have also implemented measures to verify credit brokers' compliance with these new requirements.

What remedy could be owed in similar cases?

The remedies for future or similar claims would be determined by the courts based on the facts and circumstances of each case, although they may be impacted by the outcome of the appeal to the Supreme Court.

What is the time period this judgment is applicable to?

The judgment by the Court of Appeal applies retrospectively. However, CBL is appealing the judgment to the Supreme Court.

What are the implications for the FCA's review into historical motor finance commission arrangements?

These proceedings are separate to the FCA's review of motor commissions. The FCA has issued statements on the Court of Appeal's judgment and the status of its review, which can be found on its website.

What happens next?

The hearing of the appeal has been scheduled for three days from 1 to 3 April 2025. CBL is taking all necessary steps to prepare for that hearing. The timing for any judgment in respect of the appeal is at the Supreme Court's discretion and is outside of CBL's control.

Our focus remains on supporting our customers, protecting our valuable franchise and continuing to deliver on our capital actions.

Useful Links:

- Close Brothers – Half Year Results 2025 (18 March 2025): [Click here](#)
- Close Brothers - Update in relation to motor commissions and performance in the six months to 31 January 2025 (12 February 2025): [Click here](#)
- Close Brothers – Permission to appeal in respect of the Hopcraft case (11 December 2024): [Click here](#)
- Close Brothers – Q1 25 Trading Update (21 November 2024): [Click here](#)
- Close Brothers – Judgment in respect of the Hopcraft case (25 October 2024): [Click here](#)
- Close Brothers Motor Finance – Close Brothers Motor Finance returned to writing new business (8 November 2024): [Click here](#)
- Supreme Court announcement (11 December 2024): [Click here](#)
- Relevant page on Supreme Court website: [Click here](#)
- Court of Appeal's judgment (25 October 2024): [Click here](#)
- FCA statement on motor finance review next steps (11 March 2025): [Click here](#)
- FCA statement – Firms given until December 2025 to respond to motor finance commission complaints (19 December 2024): [Click here](#)
- FCA statement on Supreme Court motor finance announcement (11 December 2024): [Click here](#)
- FCA statement – FCA proposes to extend the time firms have to handle complaints relating to motor finance commission (21 November 2024): [Click here](#)
- FCA statement on Court of Appeal judgment in Hopcraft, Johnson and Wrench (25 October 2024): [Click here](#)
- FLA comments on the Supreme Court granting Permission to Appeal the motor finance commissions cases (11 December 2024): [Click here](#)
- FLA comments – FCA announces consultation on extending the complaints handling pause to non-FCA motor finance complaints (21 November 2024): [Click here](#)
- FLA comments – FCA to consult on extending motor finance complaints handling pause (13 November 2024): [Click here](#)
- FLA comments on the Court of Appeal decision on motor finance cases (25 October 2024): [Click here](#)
- FLA overview – Motor finance commission developments: [Click here](#)