

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 (“the Court”) upheld the Claimants’ appeal against Close Brothers Limited.

The Court has 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 decision?

Close Brothers disagrees with the Court’s extension of the existing case law in this area and intends to appeal this decision to the UK Supreme Court.

How long will the appeal process take?

The timing of any appeals process is at the Supreme Court’s discretion. We intend to seek permission for the appeal to be heard on an expedited basis given the importance and impact of the Court’s decision.

What are the potential implications for Close Brothers?

The financial impact of 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.

The range of outcomes in these circumstances is currently uncertain, and the overall cost to the Group will depend on, amongst other factors, the application of the Court’s ruling, the number of claims received, the facts and circumstances of each individual claim, and the level of compensation, if any, granted by the Court in each case.

It is therefore currently not possible to assess the timing, scope or quantum of any potential financial impact on the Group.

We temporarily paused the writing of new UK motor finance business to ensure compliance with the new requirements. Following a review and the implementation of relevant changes to our documentation and processes, we are pleased to have resumed writing new business for a significant portion of our UK motor finance book.

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.

What is the time period this judgment is applicable to?

The judgment by the Court of Appeal represents a change in the law which applies retrospectively.

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

The Court of Appeal process is separate to the FCA's review of motor commissions. The FCA have issued a statement that can be found [here](#).

What could the potential liability be?

It is currently uncertain what the range of outcomes could be, and the overall cost to the Group will depend on, amongst other factors, the application of the Court's ruling, the number of claims received, the facts and circumstances of each individual claim, and the level of compensation, if any, granted by the Court in each case. It is therefore currently not possible to assess the timing, scope or quantum of any potential financial impact on the Group.

What happens next?

Close Brothers disagrees with the Court's extension of the existing case law in this area and intends to appeal this decision to the UK Supreme Court.

Our focus remains on supporting our customers, protecting our valuable franchise and implementing the capital actions outlined in our FY 2024 results announcement.

Useful Links:

Close Brothers announcement - Judgment in respect of the Hopcraft case: [Close Brothers Group](#)

Court of Appeal's judgment: [Court of Appeal's Judgment](#)

FCA statement on 25 October 2024: [FCA statement on Court of Appeal's judgment in Hopcraft, Johnson and Wrench | FCA](#)

FLA statement on 25 October 2024: [FLA comments on the Court of Appeal's decision on motor finance cases](#)

Close Brothers Motor Finance: [News about our phased return to writing new business](#)