

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 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 judgment?

CBL disagrees with the Court of Appeal’s judgment. CBL has therefore submitted an application for permission to appeal the Court of Appeal’s judgment to the UK Supreme Court.

How long will the appeal process take?

The timing of any appeals process is uncertain as it is at the Supreme Court’s discretion and outside of CBL’s control. Given the judgment’s broader relevance and potential impact on the group, CBL has requested that the Supreme Court considers its application for permission to appeal on an expedited basis.

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 and potential financial impact on the group remain uncertain. Subject to the Supreme Court appeal, the overall cost to the group of this development in the law, the FCA’s ongoing review of motor finance commissions, any customer complaints and claims and related costs and liabilities will depend on a range of factors. These include the application of the Court of Appeal’s ruling and the outcome of the Supreme Court appeal, the number of claims and complaints received, the facts

and circumstances of each individual claim, any extension to the complaints pause initiated by the FCA and the level of compensation, if any, due to affected customers. Our accounting assessment in relation to these matters remains under review.

We temporarily paused UK motor finance lending on 25 October. Since 2 November, we have restarted a significant portion of this business and expect full resumption in the very near future. We are updating our documentation and processes to ensure disclosure of commission amounts on finance agreements and obtain full customer consent for all necessary issues, including credit broker commissions, before customers enter into credit agreements. We have also implemented necessary 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.

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?

These proceedings are separate to the FCA's review of motor commissions. The FCA has issued statements on the Court of Appeal's judgment (that can be found [here](#)) and has recently set out further proposals on complaints handling by firms in light of the Court of Appeal's judgment and the intended appeal against it (that can be found [here](#)).

What happens next?

The Supreme Court will consider CBL's application for permission to appeal. The timing of the Supreme Court's decision in that regard is uncertain and outside of CBL's control, although CBL has requested that the Supreme Court considers its application for permission to appeal on an expedited basis.

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 Q1 25 Trading Update: [Close Brothers Group plc Q1 25 trading update](#)

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](#)

FCA statement on 21 Nov 2024: [FCA proposes to extend the time firms have to handle complaints relating to motor finance commission | FCA](#)