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ARTICLE

UK Car Finance Mis-selling: Reassessing Legal and Regulatory Challenges within Consumer Credit Markets

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Abstract

This article examines the regulatory dimensions of the UK's car finance mis-selling scandal, focusing on the structural features of PCP agreements. While current legal interventions emphasise transparency and informed choice regarding commissions, I argue that such measures are poorly equipped to address the embedded inequalities characteristic of intermediated consumer credit markets. PCPs, though marketed as affordable and flexible, routinely give rise to extended credit dependency without securing vehicle ownership for many borrowers. Drawing on Ramsay's work on credit and distributive justice, the analysis situates PCP finance within broader shifts in welfare provision, income insecurity, and the financialisation of everyday life. It further places recent developments within the longer history of UK financial mis-selling, where commission-based sales models have systematically externalised complexity and risk onto consumers. Rather than treating mis-selling as a failure of commission disclosure, the article invites a more substantive inquiry into how consumer law legitimises forms of market participation that disproportionately burden the financially vulnerable.

Keywords: Regulation of consumer credit; financial mis-selling; car finance

I. Introduction

The ongoing mis-selling scandal in the UK's car finance market[1] exposes a persistent shortcoming in consumer credit regulation; that is, its overreliance on transparency and disclosure as a remedy for consumer structural exploitation. In the UK, and in most parts of European countries, legal and regulatory responses to financial mis-selling have historically focused on the failure to disclose key information, particularly in contexts involving intermediary commissions.[2] This pattern is evident in the case of Personal Contract Purchase (hereinafter referred to as PCP) agreements, where insufficient disclosure of dealer commissions has yet again become the key point of recent judicial and regulatory scrutiny in the UK. However, in this article, I argue that such a framing is not

[1] M Arnold, "Banks Ask UK Supreme Court to Reverse Landmark Car Finance Ruling" *Financial Times* (30 March 2025) <https://www.ft.com/content/6b65e10a-5694-44cc-8b1d-68d55a948b94> (accessed 1 April 2025).

[2] E Ferran, "Regulatory Lessons from the Payment Protection Insurance Mis-Selling Scandal in the UK" (2012) 13 European Business Organization Law Review 247; A Georgosouli, "Payment Protection Insurance (PPI) Misselling: Some Lessons from the UK" (2014) 21 Connecticut Insurance Law Journal 261; UK Parliament, "Personal Pensions Mis-Selling - Hansard - UK Parliament" (1998) <https://hansard.parliament.uk/Commons/1998-11-03/debates/eddc5c05-0d62-4396-9125-501c6cf93df4/PersonalPensionsMis-Selling> (accessed 2 April 2025).

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only incomplete, but concerningly limited. While non-disclosure of (particularly pricey) commissions presents a concerning regulatory failure, the other, and arguably more serious problems, I suggest, lie in the structural design of the intermediated car finance business model itself. These include opaque credit pricing, complex contractual structures, and a distribution model that embeds costs and risks in ways that negatively affect increasing numbers of consumers, not just financially vulnerable ones.

The UK car finance market is now dominated by PCP agreements,[3] reflecting a broader trend in which the proportion of private new car buyers relying on finance increased from under 50 % in the early 2000s to over 90 % by 2018.[4] They are promoted as flexible and affordable solutions to vehicle access with the apparent affordability, achieved through deferred balloon payments and layered pricing, masking the long-term financial implications for consumers. These contracts are rarely conducive to ownership, instead encouraging cyclical borrowing and rolling credit obligations. In practice, they entrench reliance on expensive credit products to access essential goods, such as cars.

In this article, I suggest, that the legal and regulatory treatment of the car finance scandal as articulated by the courts in *Johnson* and the Financial Conduct Authority's (hereinafter referred to as FCA) response to mis-selling remains narrowly conceived. It focuses on the disclosure and price of commissions and conflicts of interest, yet fails to interrogate the underlying credit structures that perpetuate inequality within car finance markets. This approach resembles a broader regulatory pattern seen in previous financial mis-selling episodes, including pensions, endowment mortgages, and PPI, where interventions focused on *ex post* redress and improved disclosure without challenging the underlying business models of intermediated finance.[5]

To address limitations in legal responses to financial mis-selling, I draw on Iain Ramsay's work on distributive justice, which calls for financial regulation that attends to the socio-economic conditions in which credit is accessed and used. From this perspective, credit is not merely a transactional instrument, but a mechanism that mediates access to essential goods and services in a context of constrained incomes and diminished public provision. I suggest that consumer credit regulation should go beyond transparency and aim to address the systemic imbalances embedded in consumer markets of intermediated finance. This might include addressing pricing inequities, curbing exploitative lending practices, and introducing other substantive protections for borrowers.

My analysis proceeds in four parts. Part 2 examines the *Johnson* judgment and the FCA's regulatory interventions. Part 3 situates the current scandal within the historical trajectory of UK financial mis-selling, identifying recurring structural features of commission-based, intermediated finance. Part 4 uses the concept of distributive justice to examine PCP agreements, exploring specifically how their design reinforce inequality and create conditions of sustained financial dependence in some instances, and financial vulnerability in others. The final section reflects on some possible policy suggestions.

II. The Johnson judgment: the limits of transparency

At the centre of recent litigation and regulatory response to the car finance mis-selling scandal lies a core legal and policy question: does consumer harm arise where credit

[3] A Ellson, "Car Dealers Push Finance Deals That Cost Drivers Extra £1,780" *The Times* (20 March 2025) <https://www.thetimes.com/uk/transport/article/car-dealers-push-finance-deals-that-cost-drivers-extra-1780-lmnm5dbzv> (accessed 28 April 2025).

[4] Y Bhagat and others, "Car Ownership: Evidence Review" (National Centre for Social Research 2024) <https://assets.publishing.service.gov.uk/media/6781339100e3d719f19217f1/dft-car-ownership-evidence-review.pdf#:~:text=,%C2%A341%20billion%2C%20an%20increase> (accessed 16 March 2025).

[5] J Gardner and I Ramsay, *Landmark Cases in Consumer Law* (London, Bloomsbury Publishing 2024).

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brokers fail to disclose commissions, and if so, to what extent are consumers entitled to redress? The controversy turns largely on the transparency of consumer credit agreements. Legal and regulatory efforts have focused primarily on whether borrowers were sufficiently informed about commission arrangements, and whether non-disclosure rendered the credit relationship unfair. This emphasis reflects the longstanding assumption in UK consumer credit regulation that informed consent functions as the principal mechanism for consumer protection. While transparency remains essential, particularly in ensuring that individuals are not misled or placed at a disadvantage, this article argues that the unfairness of the underlying structures of the car finance market, and the broader forms of consumer detriment they may generate, also warrant legal scrutiny. I return to this argument after examining the most recent and historical judicial and regulatory responses to financial mis-selling, to reflect on their limitations.

In *Johnson, Wrench & Hopcraft* (2024), three car buyers brought conjoined appeals alleging that they had been mis-sold car finance by dealers who failed to disclose substantial non-discretionary commissions paid by the lenders. The Court of Appeal, in a judgment handed down on 25 October 2024, ruled in favour of the consumers on the question of secret commissions and credit broker duties. It held that car dealers, when acting as credit brokers, owe a duty to provide impartial and disinterested advice. The Court also recognised the existence of an *ad hoc* fiduciary duty arising from the trust placed in brokers by borrowers. It concluded that where a commission is paid without the consumer's fully informed consent, this duty is breached. It further held that a general reference to a commission being "payable," embedded within the terms and conditions of a credit agreement, does not constitute adequate disclosure. Even in *Johnson*, where limited disclosure had occurred, the Court found that the broker failed to provide information sufficient to support informed consent, such as the amount of the commission or how it was calculated.

This judgment marked a significant extension of the existing case law on secret commissions. The Court of Appeal drew on principles established in *Hurstanger v Wilson* (2007), which recognised what it described as a "halfway house" scenario in which partial disclosure, without specifying the amount, created an inequality of knowledge. It also relied on *Plevin v Paragon Personal Finance* (2014), a Supreme Court decision in the context of PPI mis-selling. In *Plevin*, the Court held that the non-disclosure of an excessive commission, amounting to 71 % of the premium, rendered the credit relationship unfair under section 140A of the Consumer Credit Act 1974. The *Johnson* judgment expressly referred to Lord Sumption's test in *Plevin*, holding that an extreme inequality of knowledge could render a credit relationship unfair, even if some form of generic disclosure had been made, where the consumer was unable to assess the scale of the commission or its potential effect on the broker's incentives. Accordingly, the Court of Appeal concluded that consumers must be informed of all material facts that might influence their decision, including the precise commission amount and the basis on which it was paid. The failure to disclose such facts was characterised as dishonest in the legal sense, insofar as it involved a deliberate withholding of information that could influence the consumer's choice.

On 1 August 2025, the UK Supreme Court handed down its judgment in *Close Brothers Ltd v Johnson and others*. The Court rejected the Court of Appeal's broader articulation of fiduciary duties, ruling that car dealers acting as brokers do not generally owe fiduciary obligations to borrowers. It also held that the non-disclosure of commission payments does not, in itself, render a PCP agreement unfair or unlawful. Rather, whether a relationship is unfair under Section 140A of the 1974 Act depends on the presence of additional factors such as the size of the commission, the extent of any misleading statements, and the overall conduct of the broker or lender. While the Supreme Court's ruling relates to non-discretionary commission arrangements only, it was nevertheless

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criticised by consumer advocates for narrowing the scope of redress and offering limited protection in situations involving opaque or conflicted broker arrangements.

The Financial Conduct Authority's regulatory response has also remained narrowly framed. The FCA had, from 2018 onwards, expressed concerns about the risks associated with discretionary commission arrangements. These are models in which brokers could adjust the interest rate offered to consumers to increase their own remuneration. Such arrangements were banned in January 2021. In January 2024, the FCA announced that it would consult on a redress scheme for consumers affected by these practices. However, this consultation was paused to await the outcome of the Supreme Court's decision in *Close Brothers Ltd v Johnson*, to ensure legal consistency in compensating consumers for the mis-selling related to both discretionary and non-discretionary commissions. Following the Supreme Court's judgment, the FCA has confirmed it will now proceed with the consultation. Its remit will include not only discretionary arrangements but also non-discretionary commissions, reflecting the legal proceedings that were before the Supreme Court. However, the precise criteria for consumer redress under this broader framework remain to be determined.

The FCA's and the courts' shared focus on commission disclosure reveals a persistent limitation in how consumer protection is conceived in this area. Neither has engaged substantively with the broader contractual terms of PCP agreements or the structural features of the UK car finance market more generally. Their approach presumes that car finance transactions are inherently acceptable, provided disclosures are made and the commissions are not excessive or concealed. This procedural conception of fairness, anchored in disclosure and consent, avoids more fundamental questions about whether the design of the credit products themselves, such as balloon payment structures or exit fees, may be inherently unfair or exploitative.

This narrow focus reflects a recurring regulatory pattern in UK financial governance. In earlier financial mis-selling scandals, regulatory responses concentrated on conflicts of interest and disclosure failures, largely preserving the integrity of the structural features of financial intermediation that repeatedly generated consumer detriment over the years. Financial intermediation was central to all these scandals. Intermediaries frequently acted both as the consumer's point of contact and as recipients of payment from financial providers. This dual role created a built-in tension between their obligations to the consumer and their own financial incentives. Regulatory interventions have tended to treat this as a matter of isolated abuse rather than as a systemic feature of the financial intermediary model. Consequently, reforms have focused on specific practices, such as banning particular forms of commission or requiring better disclosure, without interrogating whether the intermediation model itself is appropriate for distributing complex financial products.

And yet concerns regarding the business model of financial intermediation remain significant. The model is inherently flexible and opaque. It enables intermediaries to adapt their practices and remuneration strategies in response to regulatory changes, often in ways that are difficult to monitor and regulate. This adaptability allows incentives to be restructured rather than eliminated, making it difficult to remove the risk of mis-selling through procedural reforms alone. The FCA's current response to the car finance scandal appears to be repeating this pattern. It treats the non-disclosure of commissions as the core issue, rather than recognising that the commission-based distribution model, with its structural opacity and weak accountability mechanisms, constitutes a continuing source of risk for consumers. It is for these reasons that this article turns next to an examination of past financial mis-selling cases. By analysing how regulatory responses have historically evolved, it becomes possible to trace the development of the transparency-based model of consumer protection, and to explain why that model has consistently failed to prevent systemic consumer harm, before moving onto my analysis of PCP agreements.

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III. History of mis-selling: from pensions and endowments to PPI

Today's car finance scandal continues a longstanding pattern of financial mis-selling in the UK's consumer financial markets.[6] To appreciate the continuity in legal and regulatory logic, it is important to revisit three mis-selling episodes: the personal pensions mis-selling of the late 1980s–90s, the endowment mortgage fiasco of the 1990s–2000s, and the 1990s–2010s saga of Payment Protection Insurance (hereinafter referred to as PPI).[7] Each involved intermediary-sold products with high commissions; each saw consumers steered into unsuitable arrangements by advisers or salespeople with misaligned incentives; and in each case, the eventual legal response focused on consumer redress and tightening rules on disclosure or financial advice. Secret commission arrangements have been a fundamental component of mis-selling cases from mortgages to PPI, and the car finance scandal echoes familiar themes.[8]

1. Personal pensions 1980–90s

The pensions mis-selling scandal arose after the 1986 UK financial legislation allowed millions of workers to leave generous occupational pension schemes in favour of personal pensions sold by private providers.[9] In theory, pension privatisation was promising to give consumers more choice and freedom over their retirement. However, in practice, many consumers were badly advised to opt out of healthy and beneficial employer schemes and buy personal plans that left them worse off.[10] By the early 1990s, evidence mounted that huge numbers had been mis-sold.[11] In 1998, the Economic Secretary to the Treasury informed Parliament that the scale of mis-selling was profoundly alarming, with hundreds of thousands of consumers affected and up to two million cases requiring review.[12] A principal cause of this widespread misconduct was the commission-based remuneration structure for financial advisers. Insurers marketing personal pensions provided substantial commissions to brokers for each new policy secured, thereby creating strong incentives to

[6] I Ramsay and T Williams, "The Crash That Launched a Thousand Fixes: Regulation of Consumer Credit after the Lending Revolution and the Credit Crunch" (2009) Law Reform and Financial Markets.

[7] While the 2009 financial crisis also involved extensive mis-selling and commission-driven sales practices, these have been comprehensively examined in the legal literature and are therefore not addressed here. Moreover, the regulatory and legal responses to the crisis extended well beyond concerns about commission-based incentives, encompassing wide-ranging reforms in areas such as prudential regulation, capital adequacy, systemic risk management, and institutional accountability. For present purposes, the focus remains on earlier episodes of retail mis-selling, which more directly illustrate the evolution of regulatory strategies specific to consumer protection and intermediary conduct. Nonetheless, I acknowledge the significance of the varied, legal and regulatory post-crisis developments not only in the UK, but across many countries.

[8] National Audit Office, "Financial Services Mis-Selling: Regulation and Redress - NAO Report" (2016) <https://www.nao.org.uk/reports/financial-services-mis-selling-regulation-and-redress/> (accessed 2 April 2025); JK Ashton and RS Hudson, "The Mis-Selling of Payments Protection Insurance in Mortgage and Unsecured Lending Markets" in JMP Monsálvez and JF de Guevara Radoselovics (eds), *Modern Bank Behaviour* (London, Palgrave Macmillan UK 2013) <https://doi.org/10.1057/9781137001863_2> (accessed 2 April 2025); JK Ashton, "The Scale and Scope of Financial Mis-Selling", *The Routledge Companion to Financial Services Marketing* (Milton Park, Routledge 2014).

[9] GP McMeel, "The Liability of Financial Advisers in the Wake of the Pension Mis-Selling Scandal" (1997) 13 Tolley's Professional Negligence [1992–2002] 97.

[10] S Ward, "Personal Pensions in the UK, the Mis-Selling Scandal and The Lessons to Be Learnt" in G Hughes and J Stewart (eds), *Pensions in the European Union: Adapting to Economic and Social Change* (Berlin, Springer 2000).

[11] GL Clark, "The Problematic Nature of UK Pension Fund Regulation: Performing Governance at the Expense of Innovation" (2022) 26 Competition & Change 125; A Cooke, *Pensions and Legal Policy: Lessons on the Shift from Public to Private* (Oxford, Hart Publishing 2021).

[12] The Economic Secretary to the Treasury, "Personal Pensions Mis-Selling – Hansard – UK Parliament" (UK Parliament 1998) Treasury Committee report <https://hansard.parliament.uk/Commons/1998-11-03/debates/eddc5c05-0d62-4396-9125-501c6cf93df4/PersonalPensionsMis-Sellingutm> (accessed 3 April 2025).

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prioritise sales volume over the suitability of products for individual consumers. This gave a strong incentive to persuade customers to switch out of occupational schemes into personal pensions, even when it was clearly unsuitable (since personal plans often had higher charges and no employer contributions). The fundamental conflict was that advisers stood to gain from sales, while clients stood to lose future retirement income. The regulatory and policy analysis that followed identified commission costs payable on personal pension plans as a significant factor in reducing returns, but these charges were only one aspect of a much broader structural problem.[13] Most importantly, personal pensions typically lacked employer contributions, imposed investment risk on individuals, and carried higher administrative costs.[14] They were also more reliant on market performance, making them inherently less stable than occupational schemes.[15] Additionally, personal pensions offered limited protection for those with interrupted or non-linear work histories, such as women with career breaks, further diminishing their suitability as a long-term retirement vehicle.[16]

Regulatory response came in the form of an enforced review and redress program. In 1994, the Securities and Investments Board (then the principal Financial Regulator[17]) ordered firms to go through past sales, contact potentially affected consumers, and compensate them for losses.[18] The Pension Review ultimately resulted in compensation payments of approximately £11–£12 billion to over one million individuals, making it one of the most extensive redress exercises of its time.[19] As part of the regulatory response, the Securities and Investments Board also strengthened conduct rules, for example, requiring that financial advisers provide "best advice" and clearly document the justification for recommending a personal pension over an available occupational scheme.[20] However, at the time, the Securities and Investments Board did not prohibit commission-based remuneration for investment advice, a reform that would not be implemented until the introduction of the Retail Distribution Review in 2013.[21] The regulatory emphasis remained on identifying non-compliant advice and enhancing disclosure.

In essence, regulatory responses in the wake of the pensions mis-selling scandal focused on reforming the financial advice market, while leaving intact the commission-based,

[13] P Ireland, "Law and the Neoliberal Vision: Financial Property, Pension Privatisation and the Ownership Society" (2011) 62 Northern Ireland Legal Quarterly 1.

[14] JA Bikker and J De Dreu, "Operating Costs of Pension Funds: The Impact of Scale, Governance, and Plan Design" (2009) 8 Journal of Pension Economics & Finance 63; Ireland (n 13); B Waine, "A Disaster Foretold? The Case of the Personal Pension" (1995) 29 Social Policy & Administration 317.

[15] Ireland (n 13).

[16] J Gardiner, AM Robinson and F Fakhfakh, "Exploring the Private Pension Gender Gap and Occupation in Later Working Life" (2016) 30 Work, Employment and Society 687; J Ginn and K MacIntyre, "UK Pension Reforms: Is Gender Still an Issue?" (2013) 12 Social Policy and Society 91.

[17] In 1997, the SIB was renamed the Financial Services Authority as part of a consolidation of regulatory functions. The Financial Services Authority operated until 2013, when it was abolished following the enactment of the Financial Services Act 2012. Its responsibilities were divided between two new regulatory bodies: the Financial Conduct Authority, which oversees conduct regulation, and the Prudential Regulation Authority, which is responsible for prudential regulation of financial institutions.

[18] E Whitehouse, "Pension Reform, Financial Literacy and Public Information: A Case Study of the United Kingdom" (2000) Social Protection Discussion Papers and Notes <https://ideas.repec.org//p/wbk/hdnspu/21312.html> (accessed 3 April 2025); P Sunley, "Pension Exclusion in Grey Capitalism: Mapping the Pensions Gap in Britain" (2000) 25 Transactions of the Institute of British Geographers 483; K Strauss, "11 Gender, Risk, and Occupational Pensions" in GL Clark, AD Dixon and AHB Monk (eds), *Managing Financial Risks: From Global to Local* (Oxford, Oxford University Press 2009).

[19] McMeel (n 9).

[20] S Meagher, "Pension Mis-Selling Review" (House of Commons 2002) <https://researchbriefings.files.parliament.uk/documents/SN00429/SN00429.pdf> (accessed 1 March 2025).

[21] Treasury Committee, "Retail Distribution Review" (House of Commons 2011) <https://publications.parliament.uk/pa/cm201012/cmselect/cmtreasy/857/857.pdf> (accessed 1 March 2025).

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sales-driven structure of the financial intermediary market. The prevailing assumption was that improved disclosure and regulatory oversight over financial advice process would be sufficient to ensure fair outcomes, an assumption that would persist in subsequent policy approaches. By 1998, however, officials were already acknowledging that mis-selling raised deeper questions about how the financial industry is run and how it is structured.[22] Yet the chosen response largely avoided confronting those structural incentives. Instead, a regulatory pattern started emerging where the financial regulator would compensate affected consumers, adjust conduct rules, but refrain from fundamentally disrupting the commission-driven business model of intermediated finance.

2. *Endowment mortgages 1990–2000s*

Around a similar period, another mis-selling wave hit UK homeowners who had taken out endowment mortgages.[23] Under these arrangements, which became popular in the 1980s, borrowers took out interest-only mortgages alongside endowment life insurance policies intended to accumulate sufficient value to repay the loan at term. These products were often sold aggressively, based on overly optimistic projections of investment growth. By the late 1990s, however, it became apparent that many endowments would fall short, leaving households with mortgage debts that were not fully covered.[24] Ultimately, endowment mortgage mis-selling became one of the largest financial scandals in UK history, with an estimated mis-selling of 6 to 7 million consumers who faced unexpected shortfalls.[25] One industry estimate suggested that, out of approximately 9.8 million endowment policies sold, around 6.5 million were likely to fall short of their mortgage repayment target.[26] As with pensions, commission-driven sales were identified as a root cause. Endowments were sold by agents or independent financial advisers who earned high upfront commissions from insurance companies for each policy.[27] Insurance companies often paid commission to the intermediaries selling endowments, incentivising advisers to recommend endowment policies over repayment mortgages or other products that might pay less or no commission.[28] In short, some homeowners were sold endowments not because they were appropriate, but because they were profitable to the seller, a misalignment of interest very much like the car financing scandal.[29] The endowment mis-selling was exacerbated by misleading marketing that failed to clarify the risks, such as the

[22] Ibid; FSA, "Retail Distribution Review: Independent and Restricted Advice" (2012) Guidance consultation <https://www.fca.org.uk/publication/guidance-consultation/gc12_03.pdf> (accessed 6 February 2025).

[23] K Scanlon and C Whitehead, "The UK Mortgage Market: Responding to Volatility" (2011) 26 Journal of Housing and the Built Environment 277; MH Miller, L Zhang and S Rastapana, "A Comedy of Errors: Misguided Policy, Mis-Sold Mortgages, and More" (Social Science Research Network, 1 September 2016) <https://papers.ssrn.com/abstract=2847067> (accessed 28 April 2025); Ashton (n 8).

[24] D Severn, "The Financial Ombudsman Service and Mortgage Endowment Complaints" (2008) <https://www.financial-ombudsman.org.uk/files/17744/DavidSevernReport.pdf> (accessed 1 March 2025).

[25] House of Commons, "Endowment Mortgages – Hansard – UK Parliament" (2002) <https://hansard.parliament.uk/commons/2002-07-16/debates/9b83fb2a-357d-4f20-91ca-9de7f496a3b0/EndowmentMortgagesutm> (accessed 3 April 2025).

[26] Treasury Committee, "Restoring Confidence in Long–Term Savings: Endowment Mortgages" (House of Commons 2004) Fifth Report of Session 2003–04 <https://publications.parliament.uk/pa/cm200304/cmselect/cmtreasy/394/394.pdf> (accessed 6 January 2025).

[27] A Bowman and others, *The end of the experiment? From competition to the foundational economy* (Manchester, Manchester University Press 2014).

[28] T Edmonds, "Endowment Mortgages" (2015) Briefing Paper <https://researchbriefings.files.parliament.uk/documents/SN00570/SN00570.pdf> (accessed 10 February 2025).

[29] Ibid.

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fact that if investment returns were lower, the policy could leave a shortfall, yet many consumers wrongly believed the payout was guaranteed to cover the mortgage.[30]

The regulatory response in the early 2000s again centred on consumer redress and disclosure. The Financial Services Authority (the UK's Financial Regulator at the time) oversaw a massive complaints and compensation scheme. By 2005, over £2.5 billion in compensation had been paid for endowment mis-selling.[31] Firms were required to send "reprojection" letters to all endowment holders indicating whether their policy was on track or facing a shortfall (the infamous red/amber/green letters), effectively forcing disclosure of the potential problem and prompting many to complain. On the prevention side, new rules introduced under the Financial Services Authority's "Treating Customers Fairly" initiative required greater transparency in the sales process and stricter suitability assessments for insurance-based investments.[32] The central regulatory concern was not whether endowment policies were intrinsically flawed, but whether customers had been adequately informed and whether the products sold had been appropriate to specific consumer needs. Although the Financial Services Authority at the time did not impose an outright ban on the sale of endowment mortgages, the product declined gradually due to falling interest rates as well as increasing reputational harm. Importantly, the commission-based remuneration structure used in intermediated finance sector that incentivised sales remained largely unchanged during this period. With enhanced transparency and regulatory oversight, the financial system continued to operate on the assumption that participants in the intermediated finance markets would act appropriately and that the consumer, provided with sufficient information, would be capable of making informed decisions on credit.

3. Payment protection insurance 1990–2010s

Among the various instances of financial mis-selling in the United Kingdom, the PPI case stands out for its breadth and has come to symbolise the failures of both industry conduct and regulatory oversight.[33] PPI was a supplementary insurance product commonly sold alongside personal loans, credit cards and mortgages. It was intended to provide coverage for repayments if the borrower became ill or unemployed. In practice, however, PPI was frequently misrepresented and mis-sold. Many consumers were either ineligible to claim under the terms of the policy or unlikely to benefit from it. The policies were often characterised by extensive exclusions and limitations. Notably, the cost of PPI was typically incorporated into the credit agreement itself, often on highly unfavourable terms. Financial institutions derived substantial profits from the sale of PPI, both because claims ratios were low and because significant commissions were embedded within the product's price. Subsequent investigations revealed that commission payments frequently exceeded 50 %, and in some cases, reached as high as 70 % of the premium.[34]

[30] Treasury, "House of Commons – Treasury – Fifth Report" (2004) <https://publications.parliament.uk/pa/cm200304/cmselect/cmtreasy/394/39402.htm> (accessed 29 April 2025).

[31] Severn (n 24).

[32] Ramsay and Williams (n 6); Ferran (n 2); Georgosouli (n 2).

[33] YY Park, "Regulator-Led Resolution in Mass Finance Mis-Selling: Implication of the UK PPI Scandal" (2019) 12 Journal of East Asia and International Law 321; GF Laris, "Scandal or Repetitive Misconduct: Payment Protection Insurance (PPI) and the Not so Little "Skin in Lending Games" (2020) 9 Seven Pillars Institute 1; B Sandra, *Financial Advice and Investor Protection: Comparative Law and Practice* (Cheltenham, Edward Elgar Publishing 2021).

[34] Financial Ombudsman, "Our Approach to Payment Protection Insurance (PPI) Mis-Sale Complaints" (Financial Ombudsman, 2025) <https://www.financial-ombudsman.org.ukbusinesses/complaints-deal/ppi/ombudsmans-approach/approach-payment-protection-insurance-ppi-mis-sale-complaints> (accessed 29 April 2025); FCA, "Rules and Guidance on Payment Protection Insurance Complaints" (FCA 2015) Consultation Paper <https://www.fca.org.uk/publication/consultation/cp15-39.pdf?utm_source> (accessed 20 March 2025).

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In the landmark *Plevin* case, the Supreme Court observed that 71 % of Mrs Plevin's PPI premium was paid as commission, which was divided between the lender and the broker, a fact that had not been disclosed to her.[35] The Court held that this non-disclosure rendered the relationship "unfair" within the meaning of the Consumer Credit Act's unfair relationship provisions, notwithstanding that the sale itself was not otherwise unlawful. The decision established an important precedent that the non-disclosure of excessive commission, even in the absence of regulatory breach, could itself give rise to an unfair contractual relationship.

The PPI mis-selling scandal ultimately resulted in compensation being awarded to over 12 million consumers, with UK banks paying between £38 billion and £50 billion in redress by 2019.[36] This constituted the largest consumer redress scheme in British history. The FCA, along with its predecessor the Financial Services Authority, responded with a combination of enforcement actions and regulatory reforms. Financial institutions were fined for mis-selling practices, and following the *Plevin* decision, the FCA introduced a rule requiring that any commission exceeding 50 % of the PPI premium be refunded to the consumer, on the basis that such non-disclosure could render the relationship unfair under the Consumer Credit Act.[37]

Throughout the PPI mis-selling episode, financial regulators consistently identified corporate culture and internal incentive structures as primary contributors to widespread mis-selling.[38] A 2015 parliamentary report remarked on "the culture in banks that exploited [consumers] … and incentives within firms [that] make mis-selling more likely."[39] Sales staff were frequently subject to sales targets and incentivised through bonus schemes linked to PPI sales. At the same time, the complexity of the product meant that consumers rarely had a clear understanding of either its cost or its limited value.

The official regulatory response combined retrospective redress with prospective reforms. Firms were required to enhance transparency around optional insurance products, and "opt-out" selling, whereby PPI was included without the consumer's explicit consent, was prohibited.[40] However, the underlying commercial practice of bundling insurance products with credit agreements for profit was neither prohibited nor subjected to significant additional regulatory restrictions. Rather, the market contracted substantially as a consequence of cumulative pressures, including reputational harm and the expanding influence of claims management firms. By the mid-2010s, PPI policies had largely withdrawn from the market, not through direct regulatory prohibition, but because the product had become commercially unsustainable in a context characterised by wider media coverage and heightened consumer scrutiny.[41]

[35] *Plevin v Paragon Personal Finance Ltd* [2014] UKSC 61, [2014] 1 WLR 4227.

[36] FCA, "PPI Complaints" (*FCA*, 2023) <https://www.fca.org.uk/consumers/ppi-complaints> accessed (29 April 2025).

[37] FCA, "Rules and Guidance on Payment Protection Insurance Complaints" (n 34).

[38] FCA, "Incentivising Compliance with Financial Regulation" (FCA 2016) Occasional Paper 25 <https://www.fca.org.uk/publication/occasional-papers/op16-25.pdf?utm_source> (accessed 23 March 2025).

[39] House of Commons Committee of Public Accounts, "Financial Services Mis-Selling: Regulation and Redress: Forty-First Report of Session 2015–16" (House of Commons Committee of Public Accounts 2016) <https://publications.parliament.uk/pa/cm201516/cmselect/cmpubacc/847/847.pdf> (accessed 14 March 2025).

[40] FCA, "PS15/22: General Insurance Add-Ons Market Study – Remedies: Banning Opt-out Selling across Financial Services and Supporting Informed Decision-Making for Add-on Buyers, Including Feedback on CP15/13 and Final Rules and Guidance" (*FCA*, 2015) <https://www.fca.org.uk/publications/policy-statements/ps15-22-general-insurance-add-ons-market-study-%E2%80%93-remedies-banning-opt> (accessed 29 April 2025).

[41] R Thomas, "The Impact of PPI Mis-Selling on the Financial Ombudsman Service" (Financial Ombudsman Service 2016) <https://www.financial-ombudsman.org.uk/files/17749/Impact-of-PPI-mis-selling-report.pdf?utm_source> (accessed 15 March 2025).

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Across successive episodes of financial mis-selling in the UK, a pattern of structural continuity is clear. In each instance, financial firms identified opportunities to market high-margin ancillary products, such as personal pensions in place of occupational schemes, endowment policies instead of repayment mortgages, or insurance add-ons bundled with credit. These products were distributed through financial intermediaries incentivised by commission-based or bonus-linked remuneration structures. Sales practices frequently lacked transparency, where costs and associated risks were minimised or obscured, and conflicts of interest were invisible to consumers.

Regulatory responses to these episodes have largely tended to focus on *ex post* remedies, including redress schemes and retrospective contract reviews, and some *ex ante* piecemeal regulatory reforms aimed at improving the clarity of disclosures and the quality of financial advice. For example, following the pension and endowment mis-selling scandals, regulators introduced formal 'suitability' assessments and standardised disclosure documentation. In the aftermath of the PPI scandal, the FCA implemented rules designed to improve cost transparency, particularly considering the Supreme Court's decision in *Plevin*, which applied the unfair relationship provisions of the Consumer Credit Act 1974 to undisclosed commissions.

These historical mis-selling episodes discussed above, I suggest, reveal persistent and systemic features of financial intermediation that have consistently eluded substantive legal or regulatory scrutiny. Across cases involving pensions, endowment mortgages, and payment protection insurance, the use of commission-based remuneration, complex contractual arrangements and bundled financial products enabled financial intermediaries to configure incentives in ways that were frequently misaligned with the interests of consumers. Although regulators repeatedly identified conflicts of interest as a source of harm, their responses were limited to narrowly targeted reforms. These included prohibitions on specific commission types or enhancements to disclosure obligations, but they did not address the broader structure of the intermediary business model.

That model has proven remarkably flexible. Intermediaries have been able to adjust their business practices and income strategies in response to regulatory changes while preserving the underlying pay and incentive structures. Its complexity and opacity have allowed financial risk and informational burdens to shift onto consumers, with remuneration arrangements quietly recalibrated to sustain profitability. Despite recurring scandals, the core logic of financial intermediation, with its potential to generate imbalance through structural design, has remained intact and largely unexamined.

It is against this background that Section IV turns to the structure of PCP car finance agreements. I argue that the same financial intermediary dynamics are at work, shaping PCPs as financial products that defer ownership, embed recurring credit cycles, and create long-term financial dependency. Although commission transparency is central to the *Johnson* ruling and the FCA's current consultation, it is insufficient to address the broader concerning features of the financial intermediary market where PCPs are sold. Instead, they require a more fundamental examination of the distributional consequences of intermediary-driven consumer credit, to which I now turn.

IV. Intermediated finance: democratisation of credit access, complexity, risk externalisation and consumer vulnerability

The historical episodes of mis-selling discussed above produce not only a story about regulatory failures in disclosure and advice, but also a story about intermediated finance and its gradually increasing role in shaping modern markets of consumer credit. Intermediated finance, where financial products are marketed and distributed through third-party brokers, dealers and advisers rather than directly by originating financial institutions, has been instrumental in expanding consumer access to credit in the

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UK.[42] From the late twentieth century onwards, as retail financial markets liberalised and competition intensified, intermediated distribution models increasingly supplanted direct sales by financial institutions and insurance companies. This shift enabled financial firms to reach broader segments of consumers, reduce the costs associated with maintaining extensive bank branch networks, and offer a wider variety of products tailored to different consumer market segments.[43] For example, by the late 2010s, intermediaries accounted for approximately 70 % of new motor finance agreements and over 60 % of mortgage sales in the UK,[44] illustrating their central role in expanding consumer access to or, more widely know as "democratising" credit availability and facilitating market growth.

Intermediated distribution has allowed financial firms to broaden product reach and increase profitability by tapping into wider consumer segments without bearing the full costs of direct sales infrastructure.[45] However, this model has also introduced significant complexity into credit transactions. The layering of distribution channels and the use of opaque pricing structures have created multiple opportunities for revenue extraction from consumers through commissions, fees and ancillary charges, often at the expense of consumer clarity and financial well-being, as recurring instances of mis-selling have shown. Across successive mis-selling scandals, intermediary-led distribution has consistently facilitated the bundling of high-margin ancillary products, the concealment of substantial charges within credit arrangements, and the proliferation of complex, non-transparent contractual structures. In the pensions scandal, personal pension plans displaced simple occupational schemes with higher charges and greater exposure to investment risk.[46] Endowment mortgages coupled simple borrowing needs with investment-based repayment mechanisms that, in practice, exposed consumers to substantial shortfall risks. PPI policies were similarly appended to credit agreements in a manner that obscured both their cost and limited utility.[47]

This pattern raises fundamental concerns regarding the adequacy of traditional regulatory responses. Although successive waves of reform have focused on improving disclosure requirements, strengthening conduct standards, and establishing mechanisms for consumer redress, the underlying commercial logic of intermediated finance, which externalises complexity and risk onto consumers, has not been subject to substantive legal

[42] NC Tjandra and others, "Exploring the Power and Influence of Intermediaries in an Intermediated Relationship: A Case Study from the UK Financial Services Industry," <https://napier-repository.worktribe.com/output/180697/exploring-the-power-and-influence-of-intermediaries-in-an-intermediated-relationship-a-case-study-from-the-uk-financial-services-industry> (accessed 29 April 2025); M Buckle and J Thompson, "Financial Intermediation and Recent Developments in the UK Financial System" (2020) <https://www.manchesterhive.com/display/9781526153692/9781526153692.00010.xml> (accessed 29 April 2025); M Hellwig, "Banking, Financial Intermediation and Corporate Finance" in A Giovannini and C Mayer (eds), *European Financial Integration* (Cambridge, Cambridge University Press 1991); T Beck, H Degryse and C Kneer, "Is More Finance Better? Disentangling Intermediation and Size Effects of Financial Systems" (2014) 10 Journal of Financial Stability 50.

[43] W Lazonick and M O'Sullivan, "Finance and Industrial Development. Part I: The United States and the United Kingdom" (1997) 4 Financial History Review 7; A Leyshon and N Thrift, "The Restructuring of the U.K. Financial Services Industry in the 1990s: A Reversal of Fortune?" (1993) 9 Journal of Rural Studies 223; R Davies, "Evolution of the UK Banking System" (Bank of England 2010) <https://www.bankofengland.co.uk/-/media/boe/files/quarterly-bulletin/2010/evolution-of-the-uk-banking-system.pdf> (accessed 12 February 2025); P Molyneux, "Analysis of the Evolution of UK Markets and Financial Intermediaries" in P Molyneux (ed), *Banking: An Introductory Text* (London, Macmillan Education UK 1990).

[44] Finance & Leasing Association, "FLA Annual Review" (2019) <https://fla.org.uk/wp-content/uploads%2F2025%2F01%2F2019-annual-review.pdf?access=p> (accessed 24 March 2025); UK Finance, "2021 Set to Be a Record Year for Mortgage Lending since Financial Crisis" (UK Finance, 2021) <https://www.ukfinance.org.uk/press/press-releases/2021-set-be-record-year-mortgage-lending> (accessed 29 April 2025).

[45] M Buckmann and P Eccles, "The Effect of Mortgage Brokers on Banks' Business Models" (Bank of England 2025) Staff Working Paper No 1,104 <https://www.ssrn.com/abstract=5134482> (accessed 29 April 2025).

[46] D Blake, *Pension Economics* (1st edition, Hoboken, Wiley 2006).

[47] National Audit Office (n 8).

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or regulatory challenge.[48] This regulatory cycle has been the subject of critique by scholars such as Toni Williams and others, who have questioned the assumptions underpinning the neoliberal consumer credit regime.[49] The regime's emphasis on broad access to credit, combined with a reliance on disclosure, informed choice, and *caveat emptor*, has left more fundamental issues such as pricing opacity, exploitative sales practices and systemic asymmetries of information and power largely unaddressed. As has also been observed by Howell in the *Landmark Cases in Consumer Law*, the principle of *caveat emptor* has historically shaped the judicial posture towards consumer transactions, framing them primarily in terms of individual responsibility and informed consent.[50] Howell has traced how courts have gradually accommodated notions of unfairness while still retaining strong commitments to market rationality and personal agency.[51]

Thus, while intermediated finance and the underlying legal regime of consumer credit have facilitated the expansion of credit markets, their persistent focus on individual responsibility and informed consent has normalised and legitimised structural risks, allowing systemic forms of consumer detriment to remain largely unexamined. The recent car finance mis-selling, I suggest, illustrates the persistence of these risks. In the section that follows, I explore PCP agreements to suggest that intermediated finance markets and the business models they use do more than generate sales incentives misaligned with consumer interests. By embedding layers of cost, complexity, and contingent risk into the consumer credit transactions, intermediated finance markets have become a particularly fertile ground for cyclical and highly profitable revenue extraction from consumers. PCPs combine a series of layered obligations: a credit agreement, an optional final "balloon" payment often beyond the foreseeable financial capacity of the consumer, and an array of contingent conditions related to vehicle condition, mileage, and servicing. These layered structures systematically transfer substantial financial risk to consumers, enabling financial intermediaries and lenders to maintain multiple income streams, including undisclosed commissions and penalties for contractual non-performance, while leaving many consumers without the vehicle as an asset or burdened with residual debt. The following section develops this argument by applying a social justice approach to assess PCP car finance, and considers the case for more interventionist regulatory strategies that move beyond transparency-based remedies.

1. Car finance through a social justice lens

To examine PCP agreements, I draw from Iain Ramsay's extensive research on consumer credit and social justice. Ramsay's work conceptualises consumer credit not merely as a neutral instrument of private exchange governed by rational contracting parties, but as a mechanism embedded within broader social and economic structures and markets.[52] In particular, he has noted the ways in which consumer credit operates as both a tool of household financial management and an indicator of welfare state transformation. Ramsay has long argued that consumer credit should be evaluated not only as a matter of market efficiency or consumer choice, but as a phenomenon with distributive justice implications,

[48] Ramsay and Williams (n 6); I Ramsay, *Consumer Law and Policy* (3rd edn, New York, Bloomsbury Publishing PLC 2012).

[49] T Williams, "Who Wants to Watch - A Comment on the New International Paradigm of Financial Consumer Market Regulation" (2012) 36 Seattle University Law Review 1217.

[50] N Howell, "Plevin v Paragon: Undisclosed PPI Commissions Give Rise to an Unfair Credit Relationship" in J Gardner and I Ramsay (eds), *Landmark Cases in Consumer Law* (Oxford, Hart Publishing 2024).

[51] Ibid.

[52] I Ramsay, "Consumer Credit Law, Distributive Justice and the Welfare State" (1995) 15 Oxford Journal of Legal Studies 177.

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tied to security, autonomy, and equality.[53] Ramsay has challenged the dominant regulatory emphasis on disclosure and informed choice, arguing instead that credit regulation should attend to the lived realities of financial precarity and structural inequality.[54] In liberalised economies such as the UK, access to credit often substitutes for social provision, enabling households to manage risk in the absence of collective welfare protections.

At the core of Ramsay's approach is the proposition that financial regulation should serve a redistributive function. It should not only address market failures such as information asymmetry or opportunistic sales practices, but also confront the systemic inequalities and disadvantages that consumers experience in modern consumer markets.[55] In this respect, he has advocated for regulatory measures that directly intervene in the design, pricing, and distribution of credit products, such as interest rate caps, restrictions on exploitative marketing, inclusive insolvency policies and practices, and effective debt-relief procedures.[56] These interventions are necessary, in Ramsay's view, to mitigate the social harms associated with credit dependency and over-indebtedness.

Drawing from Ramsay's approach to consumer credit, I suggest that PCP agreements should be understood not simply as technical financial products, but as instruments that mediate access to essential goods in a context marked by income insecurity, limited public transport infrastructure, and constrained household budgets. I look at the structure of these credit products to evaluate the consumer outcomes associated with PCP finance. Additionally drawing on emerging evidence of widespread misunderstanding of PCP contracts, the financial vulnerability of many borrowers, and the essential role of vehicle ownership in a society where alternative modes of transport are often inadequate, I call for a regulatory refocus away from mere questions of transparency and disclosure, and towards greater reflection on the structural role of consumer credit in a financially precarious welfare context, which necessitates tighter regulation of risky, inequitable and potentially highly exploitative car finance products. Applying this analytical lens to PCP contracts reveals several issues, which are examined in greater detail below.

2. Limits on consumer understanding of PCPs

Over the past decade, PCP agreements have fundamentally reshaped the UK car market. The majority of cars in the UK are now accessed by consumers using PCP agreements.[57] By 2020, dealer-arranged finance accounted for over 93 % of private new car purchases, with PCP contracts comprising the overwhelming majority.[58] Although this figure declined modestly to approximately 80 % by 2023, it remains the case that most UK consumers now acquire[59] vehicles on credit rather than through direct payment.[60]

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[53] I Ramsay, "Chapter 13: Regulation of Consumer Credit" in G Howells, I Ramsay and T Wilhelmsson (eds), *Handbook of Research on International Consumer Law* (Cheltenham, Elgar 2018).

[54] R Iain, "Wannabe WAGS and Credit Binges: The Construction of Overindebtedness in the UK", in J Niemi, I Ramsay and W Whitford (eds), *Consumer Credit, Debt and Bankruptcy: Comparative and International Perspectives* (London, Hart Publishing 2009).

[55] I Ramsay, "Comparative Consumer Bankruptcy" (2007) University of Illinois Law Review.

[56] I Ramsay, ""To Heap Distress upon Distress?" Comparative Reflections on Interest-Rate Ceilings" (2010) 60 University of Toronto Law Journal 707; Ramsay and Williams (n 6); Ramsay, *Consumer Law and Policy* (n 48); R Iain, *Personal Insolvency in the 21st Century* (New York, Bloomsbury Publishing 2019).

[57] T Haines-Doran, "The Financialisation of Car Consumption" (2024) 29 New Political Economy 337.

[58] S Masson, "Has the PCP Car Finance Bubble Burst? The Car Expert" (18 August 2023) <https://www.thecarexpert.co.uk/has-the-pcp-car-finance-bubble-burst/> (accessed 25 April 2025).

[59] Although I use the term "acquire" here, it should be treated with caution, as the data, discussed later in this section, on car ownership following PCP agreements indicate that most consumers do not ultimately obtain ownership of the vehicle, primarily due to unaffordable balloon payments or other financial constraints.

[60] Bhagat and others (n 4); Finance & Leasing Association, "Consumer Car Finance New Business Volumes Held Steady in December 2024 by Finance & Leasing Association" (2025) <https://fla.org.uk/news/consumer-car-finance-new-business-volumes-held-steady-in-december-2024/> (accessed 25 April 2025).

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This is important as a growing body of evidence suggests that consumers frequently struggle to understand the structure and implications of PCP agreements.[61] McElvaney et al. used experimental methods to assess consumer comprehension of PCP products.[62] The results were notable: 23 % of the 100 participants scored no better than chance when responding to basic questions about PCP contracts, despite over half of the sample holding university degrees. Their study found that participants often misunderstood what happens at the end of a PCP agreement, particularly the requirement to make a large final "balloon" payment to obtain ownership. Many participants appeared unaware that, unless this final sum is paid, no equity is accrued, leading to a situation where, after several years of payments, the consumer may own nothing.

The study also highlighted that participants struggled to evaluate different PCP offers, frequently choosing the less financially advantageous option.[63] This difficulty reflects the structural complexity of PCP pricing, which is determined by several interacting variables, i.e., the annual percentage rate on credit, contract term, balloon payment size, mileage limits, and various additional fees. Unlike traditional loans, where the total cost of credit is relatively transparent, PCPs present multiple layers of pricing that can obscure the overall financial commitment. As a result, it is often difficult for consumers to estimate the full cost of credit over the life of the agreement.

McElvaney et al. further observed that comprehension improved when participants were provided with independent advice and visual explanatory tools.[64] Nonetheless, the prevalence of initial misunderstanding in the study indicates that many consumers enter into PCP agreements without a clear grasp of their financial obligations. This raises concerns, particularly in cases where PCPs are used by financially constrained consumers who may be less able to absorb unexpected costs or to assess the long-term affordability of the contract. These findings add to an extensive body of evidence on the cognitive limitations inherent in consumer decision-making, particularly in the context of complex credit products, and point to a broader regulatory concern regarding the continued reliance on consumers to make informed choices and to act as effective agents in policing complex credit markets.[65]

3. Lower payments, but a perpetual cycle of credit

PCP agreements are structured in a way that encourages consumers to enter, and remain within, recurring cycles of credit.[66] Although often marketed as offering flexibility and affordability, the design of PCPs systematically disincentivises ownership and promotes repeat borrowing. The fundamental feature of a PCP is the deferral of a substantial portion

[61] C Rosamond, "Nearly Half of Consumers Don't Understand Car Finance" (Auto Express) <https://www.autoexpress.co.uk/consumer-news/360965/nearly-half-consumers-dont-understand-car-finance> (accessed 25 April 2025); C Roy, "Consumer Rights 101: Understanding Your Car Finance Agreement" (2025) <https://www.reclaim247.co.uk/claims-guide/consumer-rights-101-understanding-your-car-finance-agreement> (accessed 25 April 2025); Competition and Consumer and Protection Commission, "Personal Contract Plans: The Irish Market" (2018) <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2018/03/Personal-Contract-Plans-the-Irish-Market.pdf> (accessed 2 March 2025).

[62] TJ McElvaney, PD Lunn and FP McGowan, "Do Consumers Understand PCP Car Finance? An Experimental Investigation" (2018) 41 Journal of Consumer Policy 229.

[63] Ibid.

[64] Ibid.

[65] T Williams, "Empowerment of Whom and for What? Financial Literacy Education and the New Regulation of Consumer Financial Services" (2007) 29 Law & Policy 226; LE Willis, "Against Financial-Literacy Education" (2008) 94 Iowa Law Review 197; A Zokaityte, *Financial Literacy Education: Edu-Regulating Our Saving and Spending Habits* (1st ed. 2017 edition, New York, Palgrave Macmillan 2017); A Zokaityte, "The UK's Money Advice Service: Edu-Regulating Consumer Decision-Making" (2018) 47 Economic Notes 387.

[66] Haines-Doran (n 57).

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of the vehicle's cost, which is typically between one-third and one-half, as a final "balloon" payment, due at the end of the contract. This lump sum, often referred to as the "optional final payment," represents the vehicle's projected residual value and is guaranteed by the lender.

During the term of the agreement, generally 36 to 48 months, the consumer pays a deposit (commonly around 10 % of the car's value) and monthly instalments that cover only the depreciation of the vehicle over that period, plus interest on the full amount borrowed.[67] Most importantly, the balloon payment is set at a level that most consumers are unlikely to be able to afford at the end of the term.[68] Rather than facilitating eventual ownership, PCP agreements are structured in a way that result in the majority of consumers unable to complete the purchase.[69] As such, the default pathway is not ownership, but credit continuation: the consumer often returns the vehicle and enters into a new PCP arrangement, using the car's residual value as a deposit for another agreement.[70]

This structure creates strong incentives for consumers to roll over into a new contract rather than exit the credit system. Empirical evidence supports this: car finance industry reports indicate that as of 2022, over 75 % of PCP customers did not pay the balloon payment, but instead opted to trade in the vehicle and commence a new contract.[71] Less than 20 % exercised the option to purchase the vehicle outright.[72] What this in essence means is that the consumer is renting the vehicle on credit, with no accumulation of equity and no eventual ownership unless a substantial final payment, which as empirical data suggests is highly prohibitive, is made. PCP agreements do not simply offer an alternative route to car ownership; rather, they institutionalise a model of perpetual access through credit. The structure of the credit product, where monthly payments only cover depreciation and where ownership requires a significant final lump sum, actively discourages equity accumulation, in essence, locking consumers into a form of rolling credit that mimics leasing.

Crucially, this recurring reliance on PCP credit must be situated within the broader socio-economic and infrastructural landscape of the UK. In a country where private vehicles are often indispensable, particularly outside major urban centres, credit-based car access is increasingly functioning as a *de facto* transport policy.[73] Academic scholarship and policy reports characterise this dynamic as one of "forced car ownership,"[74] where individuals and households must enter credit agreements to maintain basic socio-economic participation. Public transport services, especially in rural and peri-urban areas,

[67] AccountingInsights, "Personal Contract Purchase: A Detailed Guide for Buyers" (Accounting Insights, 20 January 2025) <https://accountinginsights.org/personal-contract-purchase-a-detailed-guide-for-buyers/> (accessed 25 April 2025).

[68] D Buratti, "Car Finance Options Explained: PCP vs PCH vs HP and More" (Which?, 19 March 2025) <https://www.which.co.uk/reviews/new-and-used-cars/article/car-finance-explained-aOFAj9L8DMQv> (accessed 25 April 2025).

[69] G Mattioli and others, "The Political Economy of Car Dependence: A Systems of Provision Approach" (2020) 66 Energy Research & Social Science.

[70] Haines-Doran (n 57).

[71] J Jolly, "Will High Interest Rates Burst the New Car Bubble and Will Drivers Hand Back Keys?" The Guardian (18 July 2023) <https://www.theguardian.com/business/2023/jul/18/high-interest-rates-new-car-lending> (accessed 25 April 2025).

[72] Motorway, "PCP Car Finance: Guide to PCP (2025 Update)" (Motorway, 2025) <https://motorway.co.uk/sell-my-car/guides/pcp-car-finance-ultimate-guide> (accessed 25 April 2025); Finance and Leasing Association, "Personal Contract Purchase (PCP)" (Financing Your Car, 2022) <https://www.financingyourcar.org.uk/car-finance-products/personal-contract-purchase-pcp/> (accessed 25 April 2025).

[73] Mattioli and others (n 69).

[74] G Mattioli, "'Forced Car Ownership' in the UK and Germany: Socio-Spatial Patterns and Potential Economic Stress Impacts" (2017) 5 Social Inclusion 147.

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have seen sustained cuts over the past decade, with government data showing that only 58 % of rural households live within walking distance of an hourly bus service.[75] In this context, PCPs are not merely financial tools, but mechanisms for financing access to employment, education, childcare, and essential services.[76] PCPs make car access affordable only in the short term, yet entrench dependency on financial products for mobility, a condition that disproportionately affects those with limited income or savings. Seen through this lens, the mis-selling of PCPs is not an isolated case, but a symptom of a broader failure to provide equitable, non-credit-based access to essential infrastructure.

Car manufacturers and dealers benefit significantly from this model. It promotes faster vehicle replacement cycles, encourages brand loyalty, and secures predictable demand. From the consumer's standpoint, the apparent advantage is affordability. PCP monthly payments are considerably lower than those under a traditional loan or hire purchase agreement.[77] For instance, financing a £22,000 car over three years might require monthly payments of £573 on hire purchase, whereas the PCP equivalent might be £348, achieved by deferring more than £10,000 to the balloon payment. This creates the illusion of affordability while obscuring the long-term financial burden and the lack of asset acquisition.

The broader social context further reinforces PCP uptake. In the wake of the 2008 financial crisis, many UK households faced stagnant wages, precarious employment, and rising living costs.[78] PCPs offered access to new or nearly new vehicles with minimal upfront expenditure and manageable monthly payments, which was an attractive proposition for consumers with limited or unstable and unpredictable financial resources. However, the long-term consequence is a dependence on revolving credit arrangements, with car ownership effectively replaced by car access via continuous borrowing.

Negative equity is a particular concern in PCP agreements. When consumers terminate contracts early, often encouraged to do so after 24 months by dealers seeking to "upgrade" them, any shortfall between the car's actual value and the outstanding balance is frequently refinanced into a new agreement. This residual debt is rolled forward, leading to a form of "snowballing" debt, where consumers carry forward liabilities from one agreement to the next. The Financial Ombudsman Service has received numerous complaints in which consumers claimed they were not properly informed about the lack of equity in their contracts or the long-term implications of refinancing.[79] While

[75] Department for Environment, Food & Rural Affairs, "Rural Accessibility 2019 – by Car, Walking and Public Transport" (GOV.UK, 2019) <https://www.gov.uk/government/statistics/rural-transport-travel-and-accessibility-statistics/rural-accessibility-2019-by-car-walking-and-public-transport> (accessed 30 April 2025).

[76] K Lucas, "A New Evolution for Transport-Related Social Exclusion Research?" (2019) 81 Journal of Transport Geography 102529.

[77] A Woodhouse, "PCP vs HP: Which Is Best For You? by Autotrader" (2024) <https://www.autotrader.co.uk/content/guides/pcp-vs-hp> (accessed 25 April 2025).

[78] C Berry and S McDaniel, "Post-Crisis Precarity: Understanding Attitudes to Work and Industrial Relations among Young People in the UK" (2022) 43 Economic and Industrial Democracy 322; S Machin, "Wage Controversies: Real Wage Stagnation, Inequality and Labour Market Institutions" (2024) 3 LSE Public Policy Review <https://ppr.lse.ac.uk/articles/10.31389/lseppr.103> (accessed 25 April 2025); S Clarke and P Gregg, "Count the Pennies: Explaining a Decade of Lost Pay Growth" (Nuffield Foundation 2018) Resolution Foundation Report <https://www.resolutionfoundation.org/app/uploads/2018/10/Count-the-Pennies-report.pdf> (accessed 5 February 2025); H Dixon, K Luintel and K Tian, "The Impact of the 2008 Crisis on UK Prices: What We Can Learn from the CPI Microdata" (2020) 82 Oxford Bulletin of Economics and Statistics 1322; R Hick and ML Collins, "The Cost-of-Living Crisis in the UK and Ireland: On Inflation, Indexation, and One-Off Policy Responses" (2024) 23 Social Policy and Society 189; E Vera-Toscano and others, "The Rural–Urban Poverty Gap in England after the 2008 Financial Crisis: Exploring the Effects of Budgetary Cuts and Welfare Reforms" (2024) 58 Regional Studies 1264.

[79] Financial Ombudsman, "Unaffordable Lending" (Financial Ombudsman, 2022) <https://www.financial-ombudsman.org.ukbusinesses/complaints-deal/consumer-credit/unaffordable-lending> (accessed 30 April 2025); Financial Ombudsman, "Decision DRN-4823320" (2024) Decision <https://www.financial-ombudsman.org.uk/decision/DRN-4823320.pdf?utm> (accessed 12 March 2025); Financial Ombudsman, "Complaints about Car Finance

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comprehensive data on the prevalence of this practice is limited due to the private nature of PCP contracts, both consumer advocacy reports and industry commentators suggest that a significant subset of borrowers are effectively using PCP as a permanent leasing mechanism, paying continuously for vehicle access without ever acquiring ownership or building equity.[80]

Beyond the structural risks associated with rolling credit, PCP agreements often include specific conditions that can substantially increase the total cost of financing. These include mileage limits, mandatory servicing conditions, and end-of-term "wear and tear" assessments.[81] For consumers unfamiliar with the detailed terms of their agreement or unable to afford dealer servicing these conditions often lead to substantial penalty fees, especially at the point of vehicle return. Most PCP contracts specify a fixed mileage allowance (commonly 6,000 to 10,000 miles per year), with excess mileage charged at a rate of between 6p and 14p per mile. Exceeding mileage by just 3,000 miles annually over a three-year term could result in charges of up to £1,260, depending on the finance provider.[82]

Moreover, PCP agreements often require the vehicle to be serviced exclusively at approved dealerships and maintained to manufacturer standards. Failure to comply can result in deductions from the guaranteed minimum future value or additional charges at contract termination.[83] The Finance and Leasing Association's code of practice does mandate transparency in setting out these terms, but in practice, consumer awareness of such obligations is frequently limited.[84]

4. For lower income consumers, PCPs potentially cause a perpetual cycle of debt

While PCP agreements are often marketed as flexible and affordable, their structure can entrench ongoing credit dependence and, for many lower-income households, persistent debt. The emphasis on low monthly repayments achieved by deferring a substantial balloon payment makes these products appear accessible to those with limited assets and savings. Yet for financially vulnerable households, even modest income disruptions can destabilise repayment, leading to arrears, repossession, or the need to refinance on less favourable terms.

Although there is no empirical data yet that links consumer over-indebtedness to PCP contracts, empirical studies on overall consumer levels of financial vulnerability suggest that a concern is warrantied. For example, the FCA's *Financial Lives Survey* (2024) found that 28 % of adults in the UK reported struggling financially, with only limited recovery from

Commission" (Financial Ombudsman, 2024) <https://www.financial-ombudsman.org.ukconsumers/complaints-can-help/credit-borrowing-money/car-finance/complaints-about-commission> (accessed 30 April 2025).

[80] T Haines-Doran, "Britain's Addiction to Cars Is Built on a Financial House of Cards" The Guardian (22 November 2023) <https://www.theguardian.com/environment/commentisfree/2023/nov/22/car-culture-car-industry-consumers-debt> (accessed 30 April 2025); XC Leasing, "Is PCP the New PPI?" (2019) <https://xciteca rleasing.co.uk/news/is-pcp-the-new-ppi/?utm> (accessed 30 April 2025); D Johnson, "Personal Contract Purchase" (*Nationwide Vehicle Contracts*, 2022) <https://www.nationwidevehiclecontracts.co.uk/car-leasing/gui des/contract-purchase?utm> (accessed 30 April 2025).

[81] BVRLA, "BVRLA Fair Wear & Tear" (2025) <https://www.bvrla.co.uk/guidance/fair-wear-tear.html> (accessed 30 April 2025).

[82] S Wilkinson, "Car Finance Explained: A Simple Guide to Paying for Your New Car" (Auto Express, 2024) <https://www.autoexpress.co.uk/leasing/90789/car-finance-explained-simple-guide-paying-your-new-car> (accessed 30 April 2025).

[83] R Birch, "What Is a PCP? Personal Contract Purchase Car Finance Deals Explained" (Auto Express, 2024) <https://www.autoexpress.co.uk/leasing/90789/car-finance-explained-simple-guide-paying-your-new-car/pcp-personal-contract-purchase> (accessed 30 April 2025).

[84] Finance & Leasing Association, "Lending Code – Finance & Leasing Association" (Finance & Leasing Association 2021) <https://fla.org.uk/document/lending-code-2021/> (accessed 30 April 2025).

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the peak of the cost-of-living crisis in 2023, when the figure reached 36 %.[85] Related research by the Office for National Statistics (2023) showed that 24 % of adults had insufficient financial resilience to cover an unexpected expense of £850.[86] Additionally, debt advice charities have recently reported that car finance debts are increasingly common among people struggling with debt. StepChange, the UK's leading debt charity, saw a 15 % rise (2020–23) in clients with car finance debt on their books.[87] StepChange has also found that clients with car finance (such as PCP agreements) tend to have significantly higher overall debt burdens than those without.[88] On average, a client with car finance had 6.8 unsecured debts (excluding the car loan), nearly one more credit commitment than the average client without car finance, and about £4,000 more in other unsecured debt.[89] These consumers often also carry other major credit like mortgages, leaving them with thin financial buffers.[90] This pattern suggests that PCP consumers may be at greater risk of financial vulnerability, either because those already inclined to borrow take on PCP as an additional debt, or because the ongoing expense of PCP contributes to tipping their finances into difficulty.

The cost-of-living crisis (rising inflation and interest rates in 2022–23) appears to have strained these households further.[91] If rising prices and bills eat into budgets, PCP payments can become hard to sustain, potentially forcing difficult choices like surrendering the vehicle or defaulting. For instance, a household with limited savings and a monthly PCP obligation of £200–£300 may find itself unable to maintain repayments in the event of job loss or rising living costs.[92] What is more, where the car is essential for employment, as is the case in large parts of the UK with limited public transport, default can initiate a cascade of adverse effects, including reduced income and further credit dependency.[93] As Haines-Doran argues, this reliance on car finance is also a product of transport policy failure, where vehicle access becomes a precondition for labour market participation.[94]

The UK's current macroeconomic context further compounds these pressures. Motor finance debt in the UK grew from £11.2 billion in 2009 to £40.7 billion in 2022, which is an increase of 263 %, while average weekly earnings rose by just 41 % over the same period.[95] The growing disconnect between wages and credit commitments signals a deepening

[85] FCA, "Financial Lives Cost of Living (Jan 2024) Recontact Survey" (FCA 2024) <https://www.fca.org.uk/publication/financial-lives/financial-lives-cost-of-living-jan-2024-recontact-survey-findings.pdf> (accessed 3 March 2025).

[86] Office for National Statistics, "Impact of Increased Cost of Living on Adults across Great Britain - Office for National Statistics" (2023) <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/articles/impactofincreasedcostoflivingonadultsacrossgreatbritain/julytooctober2023> (accessed 28 April 2025).

[87] StepChange, "Helping Your Customers Drive Forward: Why Debt Advice Matters in the Automotive Finance Sector" (StepChange Debt Charity 2023) <https://www.stepchange.org/Portals/0/assets/partnerships/StepChange-Helping-your-customer-drive-forward.pdf> (accessed 5 June 2025).

[88] Ibid.

[89] Ibid.

[90] Ibid.

[91] Ibid.

[92] K Lucas and P Jones, "Social Impacts and Equity Issues in Transport: An Introduction" (2012) 21 Journal of Transport Geography 1.

[93] S Gates and others, "Transport and Inequality: An Evidence Review for the Department for Transport" (NatCen Social Research 2019) <https://assets.publishing.service.gov.uk/media/60080f728fa8f50d8f210fbe/Transport_and_inequality_report_document.pdf> (accessed 6 February 2025); FCA, "Our Work on Motor Finance – Final Findings" (FCA 2019) <https://www.fca.org.uk/publication/multi-firm-reviews/our-work-on-motor-finance-final-findings.pdf> (accessed 16 February 2025).

[94] Haines-Doran (n 57).

[95] C Laverty and J Erceg, "Motor Finance Bracing for Headwinds" (Grant Thornton UK, 2023) <https://www.grantthornton.co.uk/insights/motor-finance-bracing-for-headwinds/> (accessed 28 April 2025).

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dependence on consumer borrowing to maintain basic living standards. The Bank of England's *Financial Stability Report* (July 2023) noted that rising interest rates have increased debt servicing costs and identified an upward trend in households with high debt-service burdens, particularly among lower-income groups.[96] This dynamic is now manifesting in rising arrears and repossession activity. In the first quarter of 2023, lenders wrote off £734 million in consumer credit, a figure reflecting rising default rates amid ongoing inflationary pressures.[97] Forecasts for 2025 indicate that the number of repossessed vehicles will continue to go up.[98] The Motor Auction Group has reported a sharp increase in voluntary terminations and repossessions, with projections suggesting that over 50 % of its finance-related vehicle disposals will come from such returns by the end of 2025.[99] While used car values temporarily mitigated repossession risk during 2021–22, that buffer has largely eroded due to market correction and tightening consumer budgets.

This expansion in credit exposure has occurred alongside stagnant or falling real wages, further highlighting the role of credit as a substitute for income in the context of financialised capitalism. Such extension of credit increasingly functions not as a tool for asset accumulation, but as a mechanism for managing everyday financial shortfalls, embedding inequality into routine economic life.[100] The structure of the car finance market reinforces this trend. The average cost of a new vehicle in the UK, ranging between £20,000 and £30,000, makes outright purchase unattainable for most households. Dealer finance has thus become the dominant channel for vehicle acquisition, with the proportion of private new car buyers using finance increasing from under 50 % in the early 2000s to over 90 % by 2018.[101] Even used cars are increasingly purchased on finance, often by lower-income borrowers facing higher interest rates.[102] In subprime segments, annual percentage rates (APRs) of 25–49.9 % have been reported, significantly exceeding rates available on unsecured personal loans and further burdening vulnerable borrowers.[103] And while reforms under the Consumer Credit Act 1974 introduced interest rate caps for short-term high-cost credit, no such limits apply to motor finance. The classification of PCP agreements as secured credit on the basis that the vehicle can be repossessed has excluded them from cost control measures. Yet this distinction fails to reflect the real risks borne by consumers, particularly when negative equity, penalty charges, and contractual inflexibility leave them without an asset, but with residual financial liabilities.

The interaction of features such as balloon payments, mileage restrictions, servicing requirements and refinancing incentives can lead to cumulative consumer debt.[104] From a consumer protection perspective, I suggest that this raises significant concerns. Existing

[96] Bank of England, "Financial Stability Report - July 2023" (2024) <https://www.bankofengland.co.uk/financial-stability-report/2023/july-2023> (accessed 28 April 2025).

[97] Laverty and Erceg (n 95).

[98] Credit Connect, "Car Repossessions Rise to the Highest Level for Nearly Two Years" (Credit Connect, 21 July 2023) <https://www.credit-connect.co.uk/news/consumer-collections/car-repossessions-rise-to-the-highest-level-for-nearly-two-years/> (accessed 28 April 2025).

[99] Ibid.

[100] J Spooner (ed), "Financialised Capitalism and the Centrality of Household Debt", *Bankruptcy: The Case for Relief in an Economy of Debt* (Cambridge, Cambridge University Press 2019).

[101] Bhagat and others (n 4).

[102] Ibid.

[103] FCA, "The FCA Fines Moneybarn £2.77m for Unfair Treatment of Customers in Arrears" (*FCA*, 2020) <https://www.fca.org.uk/news/press-releases/fca-fines-moneybarn-277m-unfair-treatment-customers-arrears> (accessed 1 May 2025); S Wilkinson, "Subprime Car Loans and Bad Credit Finance Explained" (Auto Express, 2025) <https://www.autoexpress.co.uk/tips-advice/99381/subprime-car-loans-and-bad-credit-finance-explained> (accessed 1 May 2025); R Jones, "Squeezed UK Households Hit as Cost of Personal Loan Rate Doubles" *The Guardian* (29 July 2023) <https://www.theguardian.com/money/2023/jul/29/squeezed-uk-households-hit-as-cost-of-personal-loan-rate-doubles> (accessed 1 May 2025).

[104] J Armour and others, *Principles of Financial Regulation* (Oxford, Oxford University Press 2016).

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consumer credit regulations, which place the burden of prudent decision-making on individual borrowers, are, I argue, ill-suited to address the structural pressures that lead many towards forms of credit that are, in practice, high-cost and precarious. The intermediated finance model that underpins the UK car finance market extracts payments from those least equipped to absorb financial shocks, while offering few viable pathways to long-term financial stability and financial independence.

5. Social justice-informed financial regulation

The analysis of PCP agreements offered above illustrates how car credit functions not simply as a financial transaction, but as a mechanism that distributes risk, revenue and legal obligations in unequal ways. Drawing on Ramsay's work, I suggest that the current distribution of these should be rethought and rebalanced. A social justice-informed consumer protection policy would require us to rethink credit regulation within car finance markets as a tool for addressing unequal distribution of risk, revenue and legal obligations, rather than simply managing individual consumer choice.

Equity of access vs equity of outcome. On one hand, the rise of PCP agreements has broadened access to cars, even for lower-income consumers who could not afford upfront purchase. Although this democratisation of car finance access might seem equality-promoting, scholarship in consumer law and finance has widely documented the profoundly unequal terms in which consumer access might be organised within financial markets.[105] In terms of car finance markets, as the previously discussed data suggests, consumers with fewer resources typically pay more over time for the same car than wealthier buyers, due to interest costs and lack of cash discounts. This in effect means that the subprime and financially stretched borrowers, in particular, cross-subsidise the cheap credit enjoyed by more creditworthy or cash-rich or asset-rich buyers. Such a regressive cross-subsidy runs directly counter to distributive justice values. It represents what academic scholarship has often described as a *poverty premium*, which refers to the higher costs incurred by those with fewer financial resources for essential goods and services, including credit. The Personal Finance Research Centre at the University of Bristol has conducted extensive research on the poverty premium, identifying the structural factors that lead lower-income consumers to pay disproportionately more for credit, utilities, insurance and transport. Their findings reinforce the distributive justice concerns raised here, particularly the need to address how pricing structures in consumer credit systematically disadvantage financially vulnerable groups.[106] According to Ramsay, however, these outcomes are not natural market results, but the product of legal choices;

[105] Zokaityte (n 65); P Langley, "Assets and Assetization in Financialized Capitalism" (2020) 28 Review of International Political Economy; Johnna Montgomerie, 'Indebtedness and Financialization in Everyday Life", in P Mader, D Mertens and N van der Zwan (eds), *The Routledge International Handbook of Financialization* (Milton Park, Routledge 2020); E Ünal, "Democratisation of Finance and the Transformation of Consumers Into Financial Citizens" (2025) 29 Current Perspectives in Social Sciences 57; E White, "What Does Finance Democracy Look like?: Thinking beyond Fintech and Regtech" (2023) 14 Transnational Legal Theory 245; K Lai, "Financialisation of Everyday Life" (Social Science Research Network, 25 February 2016) <https://papers.ssrn.com/abstract=2871013> (accessed 1 May 2025); F Allon, "The Feminisation of Finance: Gender, Labour and the Limits of Inclusion: Gender and Labour in New Times" 29 Australian Feminist Studies 79.

[106] D Beck, "Poverty Premiums: Cost of Being Poor" in WL Filho and others (eds), *No Poverty : Encyclopedia of the UN Sustainable Development Goals* (Berlin, Springer 2020); J Spooner, "Contract Law When the Poor Pay More" (2024) 44 Oxford Journal of Legal Studies 257; S Davies and A Finney, "Chapter 8: The Poverty Premium and Debt" in J Gardner, M Gray and K Moser (eds), *Debt and Austerity* (Cheltenham, Elgar 2020); D Caplovitz, *Poor Pay More: Consumer Practices of Low Income Families* (New York, Free Press 1968); S Davies, A Finney and Y Hartfree, "The Poverty Premium - When Low-Income Households Pay More for Essential Goods and Services; School of Geographical Sciences, University of Bristol" (2016) <https://www.bristol.ac.uk/geography/research/pfrc/themes/financial-exclusion-poverty/poverty-premium/> (accessed 5 August 2025).

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consumer credit law should intervene to prevent weaker parties from being systematically overcharged and exploited simply because they lack upfront capital.[107] He thus regards financial regulation as a potentially effective mechanism for promoting a more equitable distribution of benefits and burdens within credit markets, for instance, through interest rate caps designed to allocate credit risk more fairly, which currently do not apply to PCP contracts. In a similar vein, I suggest that balloon payments should also be subject to regulatory limits based on affordability criteria, both to ensure the long-term sustainability of such agreements and to increase the likelihood that consumers are able to acquire ownership of an asset (i.e., car), rather than remain in cycles of revolving credit.

Credit as necessity and the risk of over-indebtedness. As the earlier sections demonstrated, PCP credit has effectively become a necessity for participation in work and social life, especially in the absence of adequate public transport. This reality reflects what social studies of finance have described as the "financialisation of everyday life,"[108] where essential services (like personal transport) are increasingly obtained via complex credit arrangements. One consequence is that households with little or no savings and/or assets are pushed into debt for basic mobility, exposing them to significant risk. PCP agreements lock consumers into long-term payment obligations under threat of car repossession, so any disruption in income, e.g., a lost job, an illness or a change in living costs, can quickly spiral into default and financial hardship. Consumer credit in this context functions as a fragile safety net. As Spooner observes, the expansion of household credit has transformed it from a tool of asset-building into a mechanism for managing day-to-day shortfalls, thereby embedding inequality into routine socio-economic life.[109] According to Ramsay's approach to credit markets, this reflects a broader shift in which access to credit substitutes for a weakened welfare state, and where the social costs are significant: debt-financed consumption of necessities leads to a form of "risk privatisation," where responsibility for managing economic risk is shifted from the state or employers onto individuals.[110] Rather than systemic solutions (e.g., better public transport infrastructure, income supports, availability and affordability of housing close to employment and better access to schools and nurseries), low-income consumers are left to shoulder the risks and costs of credit-funded mobility. This of course is normatively problematic as essential needs should not be met in a manner that can so easily tip vulnerable households into unsustainable credit-cycles, indebtedness or socio-economic exclusion. Thus, from the social justice perspective, the law's role should counter these market-produced negative outcomes by strengthening borrower protections and restraining exploitative lending practices. In the context of PCP credit, this could involve ensuring that borrowers have accessible exit routes from unsustainable agreements, such as the right to terminate or refinance without incurring penalties or being burdened by negative equity, so that reliance on credit does not evolve into a long-term debt trap.

[107] Ramsay, *Consumer Law and Policy* (n 48).

[108] R Martin, *Financialization Of Daily Life* (Philadelphia, Temple University Press 2002); Langley (n 105); K Birch and C Ward, "Assetization and the 'New Asset Geographies'" (2022) Dialogues in Human Geography; J Montgomerie and D Tepe-Belfrage, "Caring for Debts: How the Household Economy Exposes the Limits of Financialisation" (2017) 43 Critical Sociology 653.

[109] J Spooner, *Bankruptcy: The Case for Relief in an Economy of Debt* (Cambridge, Cambridge University Press 2019).

[110] I Ramsay, "Bankruptcy and Consumer Credit in the Declining Welfare State" in T Wilhelmsson and S Hurri (eds), *From Dissonance to Sense: Welfare State Expectations, Privatisation and Private Law* (London, Ashgate 1999); J Niemi, I Ramsay and WC Whitford (eds), *Consumer Credit, Debt and Bankruptcy: Comparative and International Perspectives* (Illustrated edition, London, Hart Publishing 2009).

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Addressing the cost of credit. One of the clearest ways car finance markets reinforce inequality is through pricing. As noted earlier, interest rates on PCP deals vary widely. Prime customers buying new cars may enjoy 2–6 % APR promotional deals, while subprime borrowers financing used cars often face APRs of 15–25 % or much higher.[111] These elevated costs place a disproportionate financial burden on lower-income consumers, raising concerns about exploitative lending practices. From a distributive justice standpoint, unregulated pricing of credit in an essential consumer market is problematic as it allows lenders to extract exploitative rents from those with the fewest alternatives. Consumer protection scholars[112] have noted that credit regulation could serve a redistributive function by curbing such excesses, for example, by imposing interest rate ceilings, on the premise that lenders should not profit from borrowers' financial vulnerabilities or desperation.[113] The UK's experience with payday lending is a good illustration of such exploitation. After evidence of vulnerable borrowers trapped in spiralling high-cost debt, an interest rate cap was introduced in 2015, dramatically reducing payday loan costs.[114] Many other jurisdictions likewise impose interest rate caps (France and Germany, for example, have long had strict ceilings on consumer credit rates).[115] Extending a reasonable cap to car finance, for instance, limiting PCPs above a certain APR threshold, would directly protect the weakest consumers from punitive rates. While the financial industry has traditionally argued that interest rate caps would constrain credit availability, empirical evidence suggests that these concerns are often overstated.[116] In practice, the introduction of price caps, particularly in high-cost consumer credit markets, has not resulted in significant credit exclusion, as access to credit is influenced by a range of structural and socio-economic factors beyond interest rate regulation.[117] Moreover, such caps serve an important redistributive function by limiting the transfer of wealth from economically vulnerable borrowers to comparatively affluent creditors, a structural imbalance that financial regulators have yet to adequately address.[118]

[111] Ellson (n 3).

[112] E Auclair, "Chapter 35. Minimum Wages, Rate Ceilings and Social Solidarity against Poverty - Unemployment and Consumer Debts in France," in U Reifner and J Ford (eds), *Banking for People: Social Banking and New Poverty, Consumer Debts and Unemployment in Europe - National Reports* (Berlin, De Gruyter 2019); U Reifner, S Clerc-Renaud and M Knobloch, "Study on Interest Rate Restrictions in the EU" (European Commission 2010) <https://op.europa.eu/en/publication-detail/-/publication/46a336d0-18a0-4b46-8262-74f0e0f47eb3> (accessed 13 February 2025).

[113] Ramsay, "to Heap Distress upon Distress?" (n 56); U Reifner, "Responsible Credit in European Law" (2018) 04 The Italian Law Journal.

[114] FCA, "PS14/16: Detailed Rules for the Price Cap on High-Cost Short-Term Credit - Including Feedback on CP14/10 and Final Rules" (FCA 2014) <https://www.fca.org.uk/publications/policy-statements/ps14-16-detailed-rules-price-cap-high-cost-short-term-credit?utm> (accessed 28 March 2025).

[115] A Ferrari, O Masetti and J Ren, "Interest Rate Caps: The Theory and The Practice" (World Bank 2018) Policy Research Working Paper 8398 <https://openknowledge.worldbank.org/server/api/core/bitstreams/db52e3ae-519a-587d-94b8-a40fbd69d822/content> (accessed 11 March 2025).

[116] JS Cubillos-Rocha and others, "Effects of Interest Rate Caps on Credit Access" (2021) 60 Journal of Regulatory Economics 117.

[117] Centre for Responsible Credit, "Regulating the Credit Card Market: Why We Need a Cap on Costs" (2019) <https://debtjustice.org.uk/wp-content/uploads/2019/07/Credit-card-briefing_07.19.pdf> (accessed 1 January 2025); AK Aldohni, "The UK New Regulatory Framework of High-Cost Short-Term Credit: Is There a Shift Towards a More "Law and Society" Based Approach?" (2017) 40 Journal of Consumer Policy 321; N Cuttino, "Presumption of Creditworthiness" (2025) Forthcoming Michigan Law Review <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5169842> (accessed 3 April 2025).

[118] V Raghavan, "Consumer Law's Equity Gap" (2022) 2022 Utah Law Review 511.

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V. Conclusion

While the reforms proposed here are not exhaustive, and further empirical research is required to develop a more comprehensive regulatory framework for car finance, this article has nevertheless sought to extend the current mis-selling debate beyond the narrow issues of commissions and transparency. The current legal and regulatory treatment of the UK's car finance mis-selling scandal reveals more than a failure of transparency; it reflects a deeper unwillingness to confront the structural features of consumer credit markets that routinely disadvantage those with the fewest resources. By situating PCP agreements within a broader history of financial mis-selling and the institutional logics of intermediated finance, I have argued here that the mechanisms through which consumers access essential goods like transport are increasingly shaped by opaque, revenue-extractive credit instruments that normalise prolonged credit cycles and indebtedness.

What emerges is not simply a regulatory oversight or a correctable error in disclosure practice, but a pattern of systemic asymmetry where complexity and contingent risk are transferred onto consumers, while profits remain insulated within financial intermediary networks. PCP agreements exemplify this trend. Structured to appear affordable and flexible, they often function instead as instruments of rolling credit that displace ownership and embed financial dependency. The issue, then, is not merely whether consumers are informed, but whether the terms on which access to essential assets such as transport is granted are just, sustainable, and, most importantly, capable of supporting financial autonomy and independence; questions that, I would argue, lie beyond the current concerns of consumer credit regulation.

This analysis has also sought to question the normative assumptions that continue to anchor UK consumer credit regulation. Specifically, that consumer access to assets and resources, even if inequitable in outcome, should be presumed beneficial so long as it is transparent. Such reasoning obscures the distributive consequences of credit systems built on regressive pricing, limited exit options, and high switching costs, which are structurally embedded and legally enabled. If credit has become the primary mechanism through which consumers access mobility, employment and economic participation, then a consumer protection regime grounded in procedural safeguards alone remains insufficient. Consumer law governing consumer credit should take seriously the socio-economic conditions in which borrowing occurs and the asymmetries that shape its terms. What is at stake is not only the regulation of a specific financial product, but the broader question of what kinds of dependencies we legitimate through law, and at what cost.

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