

01 August 2025

Final report by the Complaints Commissioner

Complaint number 202400701

The complaint

1. On 27 February 2025, you submitted a complaint to my office about the FCA.
2. Element One: You are not satisfied that the FCA excluded your complaint about the regulatory action taken by the FCA in relation to the Guaranteed Asset Protection (GAP) insurance market. You allege that the FCA's regulatory action:
 - a. resulted in no GAP insurance products being available for over three months;
 - b. caused a reduction in competition in the market through the FCA prohibiting firms from selling GAP insurance, which you allege is causing consumer harm.

Outcome: I will review the issues raised in Element One alongside a separate related complaint already under my consideration. The FCA has agreed with this proposal.

3. Element Two: You allege that the FCA handled your complaint with lack of professionalism and accountability. This is Element two of your complaint – The complaints handling process.

Outcome: Upheld.

Analysis

Element one – The FCA's intervention in the market

4. Guaranteed Asset Protection (GAP) is designed to cover the difference—or 'gap'—between a vehicle's market value and the outstanding balance on a loan or lease if the car is stolen or written off.

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5. In September 2023, the Financial Conduct Authority (FCA) raised concerns about the value GAP insurance was providing to consumers and engaged with approximately 20 providers. Unsatisfied with the responses and subsequent actions from these firms, the FCA intervened in the GAP insurance market by categorizing providers into two tiers—Tier 1 and Tier 2—and requiring all firms to sign Voluntary Requirements (VREQs) in phases.
6. Tier 1 firms were asked to pause new business until they improved their offerings. Meanwhile, Tier 2 firms continued to operate in order to maintain some market coverage. On 14 May 2024, the FCA determined that Tier 1 firms had made sufficient improvements and allowed them to resume selling GAP insurance. Simultaneously, Tier 2 firms were asked to sign VREQs to pause sales and begin enhancing their own offerings.
7. According to the FCA, “there was a short period of time where it may not have been possible to purchase GAP insurance. This occurred when the first 2 Tier 1 firms were able to start reselling and Tier 2 firms agreed to stop selling new policies. This can take from 48 hours to several weeks depending on firms’ ability to re-start operations.” The lack of availability was due to the fact that the Tier 1 firms needed time to ‘operationalise their return to market’.
8. The FCA initially understood your complaint to be a challenge to whether it should have intervened in the market at all, based on its view that GAP insurance products were not offering fair value. It is correct that a complaint about the FCA setting rules that determine what the criteria are for insurance products to be of “fair value” would fall outside the scope of the Scheme. But it is now apparent the complaint you have referred to me is a complaint alleging that the way in which the FCA applied those rules and supervised the firms offering GAP insurance and that the manner in which it intervened in the market caused disruption, negatively impacted competition and caused consumer harm does not fall into this category. These are allegations about the actions of the regulator and fall within the scope of the Scheme.
9. In addition to the above, I note that the FCA has received several complaints regarding its intervention in the GAP insurance market, raising similar issues to

those outlined in Element One. The FCA has recently issued a decision on this matter.

10. This complaint has already been referred to me by other complainants. In my view, the most effective approach is to review the issues raised in Element One alongside the related complaint already under my consideration. The FCA has agreed with this proposal.
11. As is my usual practice when multiple individuals raise the same issue, I intend to issue a single report covering the matter. You will be included as a complainant in that distribution, and we will write to you separately with updates on the progress of the investigation.

Element two - The complaints handling process

12. The FCA initially accepted your complaint within the Complaints Scheme (the "Scheme"). However, after nine months of delays during which you were informed that your complaint was being investigated and that this was taking time because the issues you raised were complex, the FCA ultimately excluded it under part 2.9 (c) of the Scheme, stating that it relates to the exercise of its legislative functions.
13. The FCA accepted in its Decision Letter that it did not handle your complaint in an appropriate manner and it offered you £100 for the distress and inconvenience caused. I agree with the FCA's decision to uphold this part of your complaint, however, I disagree with the level of compensation offered.
14. The FCA took nine months longer to issue its Decision Letter than it should have, in relation to which is cited the complexity of the issues being considered in its investigation. This is particularly material as it in fact decided to exclude your complaint. In addition, you were told in June 2024 that a decision would be made imminently, and in December 2024 that the investigation was ongoing. The FCA also failed to provide you with an update, as requested, on one occasion. The Decision Letter was only issued in February 2025, and despite the assurances you were given before about your complaint being investigated, at this time you were told you that it in fact fell outside of the scope of the Scheme. The FCA decline to investigate at all.

15. In my view, the FCA's failures to issue a Decision Letter swiftly whilst suggesting this was due to complexity being encountered in its ongoing investigation, coupled with the failures to provide a scheduled update, issue the decision, or to investigate the complaint as advised to you, amounts to "*multiple small incidents*" that caused more than a relatively low level of distress and inconvenience, as set out in the "*Compensatory payment levels*" table (Level 2) of paragraph [6.17 of the Complaints Scheme](#). For this reason, I **recommended** that the FCA offer to increase your distress and inconvenience payment to £200. In its response to my preliminary report, the FCA accepted this recommendation.

Decision

16. I will review element one of your complaint in a separate report for the reasons I give above. I agree with the FCA's decision to uphold Element two of your complaint, but I disagree with the level of compensation offered to you by the FCA and recommended it be increased from £100 to £200. The FCA accepted my recommendation.

The Complaints Commissioner

Complaints Commissioner

01 August 2025