

20 February 2026

Final report by the Complaints Commissioner**Complaint numbers 202500404***The complaint*

1. On 11 August 2025, you submitted a complaint to my office about the FCA intervention in the Guaranteed Asset Protection (“**GAP**”) insurance market, which I set out below:

Element One: The FCA’s intervention in the GAP insurance market should have been limited to car dealerships, rather than extended to insurers and brokers.

Outcome: Not upheld. The FCA’s position is that concerns about value were identified within insurers and across all distribution channels, including online distributors, brokers and dealerships. The FCA also considered that targeting insurers was the most effective way to address fair value concerns, as they set the levels of premium and commission. I consider the FCA’s regulatory approach, and the rationale underpinning it, to be reasonable. I give further reasons below.

Element Two: You allege that the FCA’s intervention in the GAP insurance market has been unsuccessful, as dealerships continue to charge inflated prices for GAP insurance, with disproportionately high levels of commission. You contrast this with the pricing practices of online GAP insurance brokers, such as your employer, Firm X, which typically offer the same or comparable products at significantly lower prices and without excessive commission structures.

Outcome: Not investigated. This is not a complaint which the FCA has investigated. Under the Complaints Scheme, to which both the FCA and I are subject, the usual practice is for the FCA to review matters in the first instance.

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Therefore, I recommend the FCA now open a new complaint review on this matter, and the FCA has agreed to my **recommendation**.

Element Three: The FCA's offer of £100 for the delay in issuing its Decision Letter is inadequate.

Outcome: Upheld. It was unreasonable of the FCA to take almost one year to issue its Decision Letter. The FCA apologised and offered you £100 compensation. However, I uphold your complaint because, in my view, the compensation offered should be £125, for the reasons I set out below. The FCA has subsequently agreed to my **recommendation** to increase your compensation to £125.

Background to your complaint

2. You worked for Firm X, a monoline broker of GAP insurance, offering policies provided by Tier 1 insurer, Firm Y.
3. On 26 July 2024 you complained to the FCA. You noted that Firm X had lost revenue during the period when Firm Y was prevented from selling GAP policies via brokers between 8 February and 30 July 2024. As your role was commission-based, you had lost money as a result of the restrictions.
4. On 30 August 2024 you told the FCA that you had been given a redundancy notice. There followed a sequence of correspondence between you and the FCA regarding the delay in issuing a Decision Letter.
5. On 20 June 2025 the FCA issued its Decision Letter and did not uphold your complaint. The FCA considered it had acted reasonably and proportionately because, when insurers were asked to evidence fair value, they were initially unable to, across online distributors, brokers and dealerships.
6. It also considered that it was right to target insurers, who were ultimately responsible for ensuring fair value to consumers by managing their distribution channels, and that this approach was most efficient. It explained its rationale to you.
7. However, the FCA was late in issuing its Decision Letter on your complaint and offered you £100 compensation.
8. On 11 August 2025 you complained to my office.

Background to the FCA's intervention in the GAP market

9. GAP insurance can be purchased with new vehicles and is marketed as paying out the difference between the vehicle's purchase price and the value at the time the vehicle is either written off or stolen (which is what could be paid out under a standard motor policy). Depending on the firm providing the policy, GAP insurance can often only be obtained within a fixed period following the purchase of the new vehicle.
10. GAP insurance may be sold by insurance firms, but more often it is sold through online distributors, brokers or vehicle dealerships ("**distributors**").
11. In April 2019 the FCA published its concerns about value within the general insurance sector which included GAP insurance, particularly in relation to high levels of commission for distributors.
12. On 25 November 2022 the FCA published its review of General Insurance Value Measures Data for July to December 2021. This showed that GAP insurance was one of the products with the lowest percentage of premiums paid out in claims, and contrasted claims cost as a percentage of premium of 5.21% for GAP insurance with, for example, 65.95% for motorcycle insurance (all).
13. On 20 September 2023 the FCA published its review of General Insurance Value Measures Data for 2022, which showed again that GAP insurance was one of the products with the lowest percentage of premiums paid out in claims. It again contrasted claims cost as a percentage of premium of 4% for GAP insurance compared with 65% for motor insurance (all).
14. On 20 September 2023 the FCA wrote to GAP insurance providers, expressing its concerns. It set out how the average premium was £330 but that few GAP insurance claims were made, with only 1.5% of policy holders making a claim in 2022, with the average paid-out claim being £608.
15. The FCA detailed how only 6.3% of total written premiums were paid out in claims, and that commission payments of over £0.70 for each £1 of premium had been seen within the distribution chain.
16. The FCA also asked GAP insurance providers to provide information on: commission, gross written premium and claims information; their existing fair

value assessments; and proposals for improving the value of GAP insurance products. In a subsequent press release on 20 September 2023, the FCA announced it had written to GAP insurance providers and had told them to demonstrate fair value to consumers.

17. The FCA considered the firms' responses inadequate and divided them into two tiers, requiring them to agree Voluntary Requirements ("VREQs") in two stages to avoid periods where GAP insurance was not available to consumers.
18. The six Tier 1 firms, including Firm Y (accounting for approximately 80% of the GAP insurance market by written premium), agreed individual VREQs for each of their distribution channels in early February 2024 to pause selling GAP insurance by 8 February 2024. On 9 February 2024 the FCA issued a press release announcing that many firms had agreed to pause the sale of GAP insurance.
19. During the period when Tier 1 firms were prohibited from selling GAP insurance, the seven Tier 2 firms were allowed to continue selling GAP insurance via existing partners. However, they were asked not to take on new distribution partners, to prevent them gaining a competitive advantage from taking on distributors who had previously worked with Tier 1 firms.
20. Tier 2 firms initially agreed VREQs to pause selling GAP insurance from 31 March 2024, but due to delays in Tier 1 firms addressing the FCA's fair value concerns, Tier 2 firms were permitted to continue selling GAP insurance online up to 30 April 2024. This was extended again to 14 May 2024, as until then no Tier 1 firms' VREQs had been lifted.
21. On 14 May 2024 the FCA notified two Tier 1 firms that their VREQs would be lifted, the first VREQ being lifted on 16 May 2024. On 24 May 2024 the FCA issued a press release naming four firms (not Firm Y) whose VREQs had been lifted and who were therefore permitted to sell GAP insurance.
22. On 20 June 2024 Firm Y's VREQ for online distributors was lifted.
23. On 30 July 2024 Firm Y's VREQ for brokers, such as Firm X, was lifted.
24. On 15 January 2025 Firm Y's VREQ for dealerships was lifted.

25. On 17 October 2025 the FCA published its General Insurance Value Measures Data for 2024, which showed that, for GAP insurance in 2024, claims costs as a proportion of premium had risen to over 100%. The FCA considered that *“this reflects the impact of our interventions with GAP insurance firms.”*

Analysis

Element One: The FCA’s intervention in the GAP insurance market should have been limited to car dealerships, rather than extended to insurers and brokers.

26. You continue to dispute that the FCA should have targeted insurers and brokers: you maintain it should have focused its regulatory intervention only on dealerships, as in your view these are responsible for the disproportionately high commissions.
27. The FCA’s position is that concerns about value were identified across all distribution channels, dealerships and brokers, and among insurers themselves. These concerns included, as set out above, both distributor commission levels and the disproportionately low proportion of premiums paid out in claims. The FCA considered it necessary to address value issues across all stages of the market, from insurers through to distributors.
28. You disagree on the basis that, in your view, inflated commission levels are the responsibility of dealerships. However, the FCA concluded that it was also necessary to address issues at the insurer level. It noted in the Decision Letter that FCA Handbook PROD 4 rules make insurers responsible for ensuring fair value throughout the distribution chain. This would cover setting premiums and control of commission paid to all distributors.
29. Additionally, if the FCA had only targeted dealerships, agreeing VREQs to prevent them selling GAP insurance, insurers would still have been able to provide poor value products to consumers via online distributors and brokers.
30. The FCA has also explained that if it had directly targeted dealerships, as opposed to insurers, this would have required the FCA to engage with close to 4,500 dealerships rather than 20 insurers, which *“would have incurred far higher resource and financial costs and would not have fully addressed the concerns over value which were seen in all distribution channels.”*

31. The FCA confirms this position by noting that targeting insurers, not just dealerships, *“was the optimal way to address [fair value] from a resource and cost view.”*
32. The FCA also stated in the Decision Letter that *“The intervention strategy was fair, cost effective and ensured all channels were compliant with the FCAs rules by holding those ultimately responsible to account.”*
33. I consider the FCA’s regulatory approach, and the rationale underpinning its intervention against insurers and brokers, to be reasonable.
34. Therefore, for the reasons set out above, I do not uphold Element One of your complaint.
35. I acknowledge your comments on the Preliminary Report in which you disagree with the FCA’s approach to the GAP insurance market. In particular, you assert that the FCA did not consider that most GAP insurance policies are taken out over three to four years, and only balanced claims in the first year against the premium. You add that, if the whole duration of a policy is considered, then the claims cost for insurers as set against premium substantially increases, and that the FCA’s intervention has made offering GAP insurance *“extremely unpalatable.”*
36. This is different from your original complaint and has not been raised with the FCA.
37. Under the Complaints Scheme, to which both the regulators and I operate, it is standard practice for the regulator to consider complaints in the first instance. I therefore suggest that you raise your new complaint directly with the FCA, providing any relevant evidence for its consideration. If you are dissatisfied with the FCA’s response, you may then refer your complaint to me for an independent review.

Element Two: You allege that the FCA’s intervention in the GAP insurance market has been unsuccessful, as dealerships continue to charge inflated prices for GAP insurance, with disproportionately high levels of commission. You contrast this with the pricing practices of online GAP insurance brokers, such as your employer, Firm X, which typically offer the same or comparable products at significantly lower prices and without excessive commission structures.

38. Before receiving the Decision Letter, you wrote to the FCA:
- a. *“... many motor dealers continue to sell policies at vastly inflated prices - no change from before. For example, [dealership A] dealers are touting 4-year return to invoice policies at £15 per month (that's an eye-watering £720 for the policy term). This is hardly what I'd call "enhancing market integrity". Your punitive limits set on what was already low commission charged by the independents actually discourages competition - it certainly doesn't promote it.”*
39. In the Decision Letter the FCA asked you to *“... share any intelligence you feel is relevant to the FCA. You mentioned that car dealerships were still circumventing the rules by 'offering very expensive GAP policies wrapped up with other products to disguise the overall commission level they're taking.”*
40. After receiving the FCA decision letter, you replied to the FCA to say:
- a. *“For example, 4-year Invoice GAP insurance policies for vehicles with an invoice price of around £60k cost around £3-400 from [Firm X] last year but in the region of £1,200 from [dealership B] for identical cover. The manufacturer of these policies, in both cases, was [Firm Y], so the huge disparity in cost to the customer lay firmly with the motor dealer.”*
 - b. *“... recently I sold a 48-month Return to Invoice policy for a 3 year-old Skoda Kodiaq for just under £300; he was quoted £680 for an equivalent policy from his motor dealer: [dealership C]. The policy manufacturer might be providing better value now, but the motor dealer is piling on commission at eye-watering rates. How does this benefit the consumer?”*
41. It is not clear how the FCA handled this information, and in any event, this is information which you provided after the FCA issued its decision letter on your complaint. I have considered whether the FCA ought to have waited for your response before issuing a decision letter.
42. However, I have concluded that you are now raising a new and distinct issue, namely that the intervention was ineffective because the industry is allegedly continuing unattractive practices such as price inflation. This allegation was not part of the original complaint or investigation and has no direct connection to the matters examined, save for its general association with GAP insurance. It forms

the basis of a new complaint, which should be investigated by the FCA separately in its own right, and therefore the FCA was right to issue a decision letter on your original complaint.

43. In correspondence with my office you later noted:

“It’s interesting to note that most of the motor dealers still offering GAP continue to charge vastly inflated prices for their policies (e.g. dealership A charging between £8.99-£15.99 per month for Return to Invoice policies, working out at between £432 and £768 over 4 years). Little has changed in terms of the prices offered by motor dealers, which was the whole point of the FCA’s investigation in the first place. Hardly the “good value” goal they were looking for.”

44. After receiving the Decision Letter, you also told the FCA:

“... it is my understanding that the 4-day period during which motor dealers cannot sell GAP insurance to their customers is being removed, which can only mark the return of hard sell tactics that were to some extent avoided by the 4-day rule.”

45. In my Preliminary Report I recommended that the FCA now open a new complaint and review the concerns above. The FCA has accepted this recommendation and has advised me that it intends to invite you to provide further information to support this complaint element.

46. If you are not satisfied with the FCA’s decision once it is issued to you, you can refer it to me for an independent review.

47. For the reasons above I exercise my discretion not to investigate Element Two of your complaint.

Element Three: The FCA’s offer of £100 for the delay in issuing its Decision Letter is inadequate.

48. The FCA issued its Decision in mid-June 2025, a delay of around 11 months after you made your complaint in late July 2024. However, I do not consider that a compensatory payment of £100 is adequate.

49. The FCA website¹, last updated on 1 November 2023, sets out a table of compensation payments and suggests distress or inconvenience due to avoidable complaint handling delays of between 10 and 12 months should attract compensation of £125.
50. In the Preliminary Report I upheld Element Three of your complaint and recommended the FCA increase its offer to £125. The FCA has now accepted this recommendation.

The Complaints Commissioner

Complaints Commissioner

20 February 2026

¹ <https://www.fca.org.uk/about/how-we-operate/complain-about-regulators/compensatory-payments-for-complaints-handling-delay>