

4 August 2025

## MOTOR FINANCE UPDATE

Further to the Supreme Court's judgment on the appeal against the Court of Appeal's decision in Wrench, Johnson and Hopcraft, which was handed down last Friday (1 August 2025), the Group has undertaken an initial assessment of the impact of the judgment.

The judgment overturned the Court of Appeal's decision in relation to fiduciary duties and bribery by determining that motor dealers acting as credit brokers do not owe fiduciary duties to their customers and that the payment of commission in this context could not constitute a bribe. In one of the cases before it (Johnson), the Supreme Court considered whether an unfair relationship had arisen between the lender and the borrower for the purposes of the Consumer Credit Act 1974. The Supreme Court confirmed that the test for unfairness was highly fact-sensitive and required consideration of all relevant matters. It determined that there was unfairness in the case of Mr Johnson and awarded a refund of the commission paid plus interest at a commercial rate to remedy that unfairness.

As previously stated, in establishing the existing provision the Group created a range of scenarios to address uncertainties around a number of key assumptions. These included a range of potential Supreme Court outcomes, regulatory responses and outcomes in relation to redress. Whilst the judgment announced on 1 August provides additional clarity, there remain a number of uncertainties that the Group continues to consider in its approach to provisioning. The Group's approach therefore continues to include the assessment of multiple scenarios. The FCA announced yesterday that it will publish a consultation on an industry wide redress scheme by early October. The FCA will propose that the scheme covers discretionary commission arrangements (DCA) and will consult on which non-DCA arrangements should be included. The FCA outlined certain other factors on which they will consult. The ultimate impact on the Group will be determined by a number of factors still to be resolved, in particular the outcome of the FCA consultation and any further interventions as well as any broader implications of the judgment, including legal proceedings and complaints.

After initial assessment of the Supreme Court judgment, and pending resolution of the outstanding uncertainties, in particular the FCA redress scheme, the Group currently believes that if there is any change to the provision it is unlikely to be material in the context of the Group. The provision will continue to be reviewed for any further information that becomes available, with an update provided as and when necessary.

As stated in the recent half year results, the Group has continued to perform in line with guidance. The Group delivered sustained strength in financial performance with continued income growth, cost control, resilient asset quality and strong capital generation of 86bps in the first half of 2025.

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## FORWARD LOOKING STATEMENTS

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward-looking statements.

Words such as, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward-looking statements. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact and statements of assumptions underlying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future.

Factors that could cause actual business, strategy, targets, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward-looking statements include, but are not limited to: general economic and business conditions in the UK and internationally (including in relation to tariffs); imposed and threatened tariffs and changes to global trade policies; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the escalation of conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; natural pandemic and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit

pension schemes; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks including risks as a result of the failure of third party suppliers; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions) and decarbonisation, including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at [www.sec.gov](http://www.sec.gov), for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document whether as a result of new information, future events or otherwise. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.