4th Quarter Trading Update 25/26

Current Trading and Expected Full-Year Outcome

The Group expects to report Operating Profit of £132.7m (FY25: £126.9m) for the year ended 31 March 2026, with Profit Before Tax of £79.1m (FY25: £120.6m) after a charge of £56m for the Motor Commission Redress Scheme. Bad Debt Charge remains low at £41m, with the Bad Debt Ratio being 45bps[1] (FY25: 29.8m 36bps). Total Equity for the period is expected to be £1.1bn (FY25: £1.1bn).

Motor Finance Commission

Following the Court of Appeal's judgment in October 2024 and the Supreme Court judgement in August 2025, the FCA published a Consultation Paper in October 2025 setting out the proposed structure, scope, and methodology for compensating consumers affected by undisclosed motor finance commission arrangements. On 30 March 2026, the FCA published its Policy Statement (PS26/3: Motor Finance Consumer Redress Scheme) setting out the final design of its redress scheme. As a result, the Group updated the scenarios and assumptions used to calculate the amount of provision required for historic motor finance commission arrangements, including operational and legal costs of the scheme, which will result in an additional charge of £56.0m during the year. As at 31 March 2026, the total motor finance provision will be £61.0m (2025: £5.0m).

The provision is based on management's assessment of the expected redress rate that will be applied to the identified customer population. The Group paid out approximately £100m in motor finance commissions within the scope of the FCA scheme (the Group's Consumer Finance division ceased providing motor finance in 2020). In establishing the provision estimate, a range of probability weighted scenarios have been applied, with the FCA published claim scheme scenario, which assumed a claim rate of 70%, receiving a more than 80% weighting.

The claim rate is a key assumption that has a significant impact on the provision estimate. A movement of ±5 percentage points in the redress rate would result in an increase or decrease in the provision of approximately £4.2m.

The Group will continue to monitor developments, including any further clarification from the FCA and the progress of the latest legal challenges brought by several parties against the scheme. Although the FCA has now finalised the framework, there remains significant estimation uncertainty, and the eventual financial impact could differ materially from the amount currently provided.

[1]Bad Debt Ratio = Bad debt charge / Average Principal Employed ("APE"). APE is calculated as the average of Net Earning Assets ("NEA") during the year. NEA is the most significant measure being reported to the chief operating decision maker and is used in the measurement of key ratios. NEA represent the loans, receivables, finance, and operating lease contracts with customers net of initial direct costs.

Disclaimer

The information in this announcement is unaudited and is subject to completion of the audit and Board approval of the annual financial statements. Terms defined in MHCUK's 'Annual Report and Consolidated Financial Statements for the Year Ended 31 March 2025' have the same meaning when used in this Trading Update.