

MARKET INVESTIGATION INTO PAYMENT PROTECTION INSURANCE

Notice of provisional findings on retail PPI made under Rule 10.3 of the Competition Commission Rules of Procedure

1. On 7 February 2007, the Office of Fair Trading, in exercise of its duty under section 131 of the Enterprise Act 2002 (the Act), referred to the Competition Commission (CC) the supply of all PPI (except store card PPI) to non-business customers in the UK. We are required to publish our final report by 6 February 2009.

Provisional findings

2. The CC inquiry group (the Group) appointed to consider this reference has provisionally found, on the statutory questions it has to decide pursuant to section 134(1) of the Act, that there are features of the relevant markets, either alone or in combination with each other, that prevent, restrict or distort competition and hence that there is an adverse effect on competition (AEC) within the meaning of section 134(2).
3. In its Notice of provisional findings on the reference published on 5 June 2008, the CC found that there are features of the market either alone or in combination which prevent, restrict or distort competition within the relevant markets, such that there is an AEC within the meaning of section 134(2) of the Act. The provisional findings related to short-term income protection (short-term IP), the provision of credit card PPI (CCPPI), personal loan PPI (PLPPI), second-mortgage PPI (SMPPI) and mortgage PPI (MPPI). The CC considered, on the basis of evidence available to it at the time, that retail PPI shared some of the characteristics of CCPPI and PLPPI and work continued to determine the CC's provisional view on it.
4. The provisional findings report on retail PPI published today finds that, as with other types of PPI policies, retail PPI is highly profitable for distributors, there is little competition between providers on price and other factors, limited ability for customers to search for alternatives or switch products and a considerable point-of-sale advantage for the providers.
5. The Group's reasons for its findings are set out in the retail PPI provisional findings report, which is attached to this Notice (see note below).

The next steps

6. The Group now invites interested parties to submit reasons in writing as to why these provisional findings on retail PPI should not become final (or, as the case may be, should be varied).
7. These reasons should be received by the Group no later than 10 November 2008.
8. The Group will have regard to any such reasons in making its final decisions on the statutory questions and actions.
9. The Group is also publishing a supplementary Notice of Possible Remedies which it considers might be taken by the CC to remedy the adverse effects provisionally

identified, comments upon which should also be received in writing no later than 31 October 2008.

(Signed) PETER DAVIS
Group Chairman
10 October 2008

Note: A copy of this notice and the provisional findings report will be placed on the CC website on 10 October 2008. The published version of the provisional findings report will not contain any information which the Group considers should be excluded from the report, having regard to the three considerations set out in section 244 of the Act.