

Consumer Attitudes to Payment Protection Insurance

Report

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1. INTRODUCTION

1.1 Background

In October 2009 the Competition Appeal Tribunal (CAT) published its judgment on Barclays' appeal against some of the measures proposed by the Competition Commission (CC) following its inquiry into Payment Protection Insurance (PPI). The appeal was upheld in part, in relation to various aspects of the CC's assessment of the remedy prohibiting the sale of PPI at the credit point of sale. Consequently, the CC has been asked to reconsider the loss of convenience for consumers of not being able to buy PPI at the same time as taking out credit.

The CC is interested in understanding all the advantages and disadvantages to the consumer of separating the purchase of PPI from the purchase of the loan it is taken out to insure, particularly focusing on the issue of any loss of convenience to the consumer arising from a delay between taking out credit and PPI.

The CC's remedies mean that PPI could no longer be purchased at the point of sale of the credit. Before they could sell PPI, the credit provider would be required to provide the customer with a personal PPI quote. If the quote were provided at the credit point of sale the customer could go back to the credit provider by phone or internet after 24 hours to take out the PPI. If the personal PPI quote were received by post or email, the customer could go back to the provider after 24 hours of receiving the quote. The credit provider could contact the customer to discuss the PPI quote after 7 days from the customer receiving the quote. There would be no restrictions on the consumer taking out PPI from a supplier other than the credit provider, or certain associates.

During the market investigation into PPI, various consumer research studies were carried out which focused on the following:

- customers' knowledge and awareness of PPI products purchased
 - features and benefits
 - product exclusions
- purchase decision and the choice of PPI product
 - the role played by intermediaries
 - the barriers to switching
 - other loans/mortgages and PPI policies taken out
- awareness and usage of other protection insurance products
- how the PPI is presented; and
- switching and cancellation behaviour.

This work helped the CC understand PPI markets and develop a package of remedies to facilitate competition in the PPI market and, while the CAT judgment has not questioned the CC's findings on the lack of competition, it has asked the CC to reconsider the loss of convenience for consumers of not being able to buy PPI at the same time as taking out credit.

The programme of research reported here is therefore intended to be supplementary to other research the CC has undertaken by focusing on this one specific aspect.

1.2 Objectives

The overarching business objective of the research was:

“To further inform the Competition Commission’s remedies in its assessment of the provision of PPI.”

The specific research objectives were to:

- understand consumer likes and dislikes in purchasing PPI at the same time as the loan it is connected to
- understand how consumers view the convenience associated with taking out PPI at the time of the loan, and any consequent loss of convenience if they have to wait a period of at least 24 hours after the conclusion of the credit sale before they can purchase PPI from the same provider
- quantify any potential loss in convenience from the consumer perspective.

2. METHODOLOGY

2.1 Introduction

Accent undertook this research using a mixed methodology approach combining both qualitative and quantitative methodologies.

For the qualitative phase Accent conducted five mini focus groups, along with six depth cognitive face to face depth interviews.

This was followed by a phone-post/email-phone quantitative survey including a short stated preference (SP) section, with 806 consumers (403 with respondents who had taken out PPI with their mortgage and 403 with respondents who had taken PPI out with a personal loan). The quantitative programme also contained a pilot of 50 interviews.

2.2 Qualitative Research

Qualitative research was conducted primarily in order to permit a comprehensive framing of the questions for the quantitative phase. The main focus was on those elements of the PPI purchase which are most important to consumers and how this affects the purchase decision, juxtaposed with generating the attribute and level definitions for the SP stage.

Methodology

Accent conducted five mini focus groups, two groups in each of Glasgow and Manchester and one in London. This was followed by six depth interviews to complement the groups. Fieldwork was carried out during January 2010.

For the London group respondents were offered an incentive of £50 and, for the other two locations, respondents were offered an incentive of £40 to thank them for taking part in the research. A recruitment questionnaire was designed by the project manager and approved by the client in order to ensure recruitment of the appropriate respondents.

Groups were recruited according to the quotas specified in the table below. Therefore Glasgow and Manchester had one group discussing Mortgage Payment Protection Insurance (MPPI) and one looking at Personal Loan Payment Protection Insurance (PLPPI). In terms of the demographics for each group the requirement was to obtain a good representation by age, SEG and gender. Furthermore, respondents with a mix of policy lengths were recruited.

Table 1: Group breakdown

GROUP	PPI Policy	Purchase Channel	SEG	AGE	GENDE R	GROUP DATE
Glasgow	MPPI	Person	Mix	Mix	Mix	19.01.10
Glasgow	PLPPI	Phone	Mix	Mix	Mix	19.01.10
London	MPPI	Person	Mix	Mix	Mix	20.01.10
Manchester	MPPI	Phone	Mix	Mix	Mix	21.01.10
Manchester	PLPPI	Person	Mix	Mix	Mix	21.01.10

The Topic Guide is included as Appendix B.

Depth Interviews

Accent conducted six face to face depth interviews, also in January 2010. These interviews were conducted by the Accent project manager and were between 30 and 40 minutes in duration. All interviews were held in respondent homes in the Leeds area. They were taped and top line notes were made to aid analysis. Respondents were offered an incentive of £40 for taking part in these interviews.

2.3 Quantitative Research

Pilot Research

Accent carried out 50 pilot phone-post/email-phone (PPP) interviews. These were conducted with 26 people who had mortgages and 24 people who had personal loans. The aim of the pilot was to test:

- the recruitment process
- the clarity and flow of the questionnaire
- the appropriateness of the language used
- the accuracy of all routings
- ease of use of the show material
- the stated preference design and understanding of the stated preference exercises
- the interview duration
- the survey hit rate.

As a result of the pilot, the wording of the time of purchase attribute in the stated preference was modified to reflect the definition of point of sale. The original wording just said 'point of sale' and this was changed after the pilot to 'point of sale, ie at exactly the same time /at the same moment as the loan was agreed'.

The range of costs tested for the monthly premium attribute in the stated preference was also widened as it was evident in the pilot that respondents did not appear to be trading differences in the proposed monthly rates sufficiently against the other attributes.

Main Stage Research

For this part of the research programme 806 phone-post/email-phone interviews were conducted with people who have Payment Protection Insurance (PPI) on personal loans and mortgages - 403 with Mortgage Payment Protection Insurance (MPPI) customers and 403 with Personal Loan Payment Protection Insurance (PLPPI) customers.

This component of the research comprised a 15 minute telephone survey (four minutes for the recruitment stage and eleven minutes for the interview stage).

The Competition Commission provided Accent with a national database provided by financial institutions which gave details of MPPI & PLPPI policy holders who had purchased either product during the past year. As far as possible this contained details of the loan and PPI monthly payment by customer though it was noted that in some cases all details could not be provided and these then needed to be obtained directly from the survey respondent.

Respondents were randomly selected for interview from this database.

A phone-post/email-phone methodology was used which meant that respondents were sent the stated preference options to be considered in advance of the interview. The benefit of this approach is that respondents have the options to review and refer to this material during the interview.

The quantitative fieldwork was carried out between 1st and the 17th March 2010. In total, 215 interviews (27%) were undertaken in the same call as the recruitment, with the remaining 591 interviews (73%) requiring a follow up phone call.

The quantitative questionnaire is included as Appendix C. The questionnaire includes:

- whether they have mortgage or personal loan and the size of that loan
- whether they have mortgage or personal loan PPI and the monthly premium for the PPI
- how long they have had PPI and whether they have ever had to make a claim
- the extent of their cover eg unemployment, sickness & accident
- how long they are covered for in the event of a claim
- how they bought the PPI ie phone, internet, post etc
- whether they took the PPI out at the same time as the loan
- the advantages and disadvantages of buying PPI at the credit POS
- a stated preference element which was conducted in order to understand customer priorities and willingness to pay/accept monetary values associated with changes in the product specification.

It should be noted that the loan/mortgage size and PPI monthly payment details were cross referenced with respondents against the database; respondents could 'over-ride' the database value if they felt that it was inaccurate (this was the case for 23% of MPPI holders and 5% of PLPPI holders).

What is Stated Preference?

Stated preference allows respondents to express preferences between a range of alternatives so that it is possible to determine what is important to them in a very robust way. Respondents are offered different pairs of hypothetical options and asked to indicate which option they prefer from each pair.

The options presented to respondents are randomised across a statistical design; this allows the full spectrum of options to be presented across the sample population.

The options are also **customised** to an individual's specific circumstances (ie they are based on what s/he actually pays for the PPI on a monthly basis).

The analysis then determines how important each aspect incorporated into the options must have been to respondents in order to lead them to the collective choices made.

Also, to help with the interpretation of the data, a set of diagnostic questions were included in the questionnaire (after they had completed the SP questions). These were direct questions covering some of the stated preference attributes and were designed to help in the analysis of the survey.

Why Stated Preference

Stated preference is a very robust mechanism for looking at how people trade off different elements of a service offering. Specifically where cost is involved it can also be used to calculate consumer willingness to pay/accept (WTP/WTA) changes in specific individual aspects of a service.

Furthermore, the strength of respondent preference can be explored more robustly than through traditional questioning.

Stated preference has been an extensively used approach during the past thirty years. It has strong public and private sector endorsement and, over this time, has undergone detailed academic scrutiny.

It is used in many different areas. It is required, for instance, by many regulators (eg Postcomm, Ofwat, Ofgem, and DfT) to underpin price review requests. Due to its rigour it is also typically used to support large investment programmes (eg high speed rail, drug development) and policy development (eg London congestion charging, Water Framework Directive).

A short description of the technical aspects of the approach is included in Appendix A.

3. QUALITATIVE FINDINGS

3.1 Introduction

This component of the research was undertaken through focus groups and face to face depth interviews. The specifications for these were discussed in Section 2.2.

3.2 Context of PPI Purchase

Main findings

Most respondents bought PPI at the same time as taking out their personal loan or mortgage, with a number stating that it was an assumed prerequisite to being offered the loan or mortgage by that provider. Some felt that there was a shortage of information provided at the time.

Detailed Findings

Most respondents had bought PPI at the same time as taking out their loan or mortgage. Many did so actively though the research also identified some who thought that PPI had to be purchased with the personal loan or mortgage, and that it was a prerequisite of being granted the loan or mortgage.

These respondents did not feel that they were sufficiently knowledgeable about the process to question whether this assumption of being obliged to take out the PPI was actually correct.

This association of the PPI with the loan request, if not actively endorsed by the financial advisors, does not appear to have been contradicted by them. Many respondents were therefore left with the erroneous belief that PPI purchase was simply one stage in the process of getting the loan or mortgage granted by the provider.

“It was said like it would be a better chance of getting the loan if you take out the PPI. [Not getting the loan] It was a possibility, they didn’t say that out loud, but just the way they kind of emphasised it.” (Glasgow, Mortgage)

“I thought the PPI and loan had to be taken together.” (Manchester, Personal Loan)

“[The financial advisor] she was lovely on the phone, but I thought if I didn’t take that out because it was mentioned, that I might not have got the loan in the first place.” (Glasgow, Personal Loan)

There was also a perception from some respondents that insufficient explanation was offered regarding what was covered and omitted from the terms and condition of the PPI. It was felt that more extensive clarification of what the PPI covered was required. There was a prevailing sense from many respondents that such issues as the stage at which the PPI kicked in, how long PPI was paid for and what constituted ‘redundancy’ were not fully explained before the PPI was signed. Many respondents admitted to

being quite unclear as to what their PPI actually covered and what was left uncovered. Some simply assumed that the PPI had comprehensive cover including unemployment and sickness cover, without necessarily thinking to query or clarify this.

“When I took it out, you go with the whole sickness and the redundancy thing, but you don’t tend to really read the small print.” (Manchester, Mortgage)

“As I say, I think, see when you go for these loans, they don’t explain enough to you.” (Glasgow, Personal Loan)

“I’m not sure how much it is covering. I don’t know the exact figure. I just know that’s how much we’re paying.” (Glasgow, Mortgage)

3.3 Reasons for Taking out PPI

Main findings

The main reason for taking out PPI was that it offered consumers ‘peace of mind’, especially with respect to unemployment uncertainty. There was evidence of some persuasion being exercised to reinforce the need for the purchase. The research also identified low levels of market awareness around the product. The key aspects involved in the decision making process comprised the type of cover, length of claim cover, the monthly premium and the timing of the purchase – in that order.

Detailed Findings

PPI offers respondents peace of mind and financial protection against the possibility of future financial unknowns.

“So even though it’s a bit of extra money I just would rather have the peace of mind.” (Manchester, Mortgage)

“Well you’re buying security really, peace of mind, so you’re trying to sort of transfer risk to somebody else.” (Glasgow, Mortgage)

Concern over future unemployment, including the associated potential inability to pay bills such as the mortgage payments, is the key reason for PPI purchase. Indeed, postulations about the possibility of future unemployment was something specifically mentioned by some PPI providers when they were taking respondents through the loans process.

“It had crossed my mind about having mortgage protection in case I was unemployed, so I asked them and got it. It was specifically just for unemployment, so it was not for death or anything else.” (London, Mortgage)

“Well in my case it was kind of, I asked for a loan and they said ‘do you want to consider this for protection insurance, in case you become sick or become unemployed?’ They gave me two sets of figures, a set of

figures without that, and a set of figures with that, how much I'd be paying each month.” (Glasgow, Mortgage)

Within the Glasgow groups particularly, whilst respondents did not feel that they were actively coerced into taking out the PPI, there was some reference to more subtle persuasive techniques used by the PPI providers to encourage them to take out a PPI with the personal loan or mortgage. These persuasive techniques included, for example, querying what would happen to their repayments if they or their partners lost their jobs or recounting scenarios of other problems that might materialise, such as ill health. Implied within this was the opinion that it would be prudent for respondents at that time to take out PPI to protect themselves from any such future problems. For these respondents the concerns that were referenced at this time brought their future possibility into sharp focus.

“I think when we took out the mortgages, we hadn't really thought about it before we went in, but when we went into the bank it was more sold to us, they made it sound quite appealing, this is peace of mind” (Glasgow, Mortgage)

“I think it was more I remember them just kind of painting scenarios in your head, of, you know, if you couldn't keep up payments, what would you do, that's the kind of questions, what would you do, well if you didn't have this, what would you do.” (Glasgow, Mortgage)

“It's like when you go for a loan anyway, they say do you want payment protection. So with the mortgage yeah they brought it up and said we can also do this etc” (Manchester, Mortgage)

Respondents worried about unforeseen issues arising, for example, with regards to sickness and accidents. Other individual circumstances were also important in the decision to purchase PPI including having a young family, a first time mortgage and being a single parent. With each of these situations respondents noted the personal responsibilities now prevalent in their lives and the need to have their financial matters in order so that others would not be disadvantaged should, for example, redundancy or ill health occur.

“So I've always thought I needed that little bit of security, and obviously even more so when I met my partner and then we started a family. Because like I say you just don't know what's going to happen with that.” (Manchester, Mortgage)

“They were just making us aware if we became or were made redundant or if there was ill health in the family, or for some reason we couldn't keep up payments, holiday cover would be included in the payments as well... It sounded something good to have with having a young family.” (Glasgow, Mortgage)

“Wouldn't like to think something would happen tomorrow and be unprotected.” (Leeds, Personal Loan)

There was limited awareness about the PPI market among respondents. Most respondents did not know that it was possible to take out PPI with a different provider at a different time. It would have been a potentially different picture if consumers already knew that they could shop around for an alternative offer.

“Didn’t know you could take PPI out with someone else.” (Leeds, Personal Loan)

“Yeah, didn’t realise that you could have taken it out with a third party.” (Glasgow, Personal Loan)

Because of the seeming lack of awareness within the PPI market, education is seen by respondents to be crucial to facilitate a wider understanding of the market conditions, which is equally appropriate to mortgage and personal loan PPI. However, such education needs to be conveyed in a manner which is accessible and comprehensible to respondents. There is a call from respondents for clarity, transparency and simplicity in the PPI process.

“I think also simplicity is a very important factor. They make things very complicated and you switch off. If it’s simplified and made easy for you to understand, because sometimes these things can be quite detailed, you can get bogged down in all the detail.” (London, Mortgage)

“I didn’t know shopping around for insurance was an option for me, maybe because I was ignorant of the market. ... I just thought the way it was organised by the bank internally, and they made it so complicated.” (Manchester, Personal Loan)

In terms of finding an alternative PPI provider respondents would consider the market reputation of the PPI supplier and would, for example, look to independent ratings to support their decision.

“The Which? magazine I think is a good, is a reliable sort of thing. ..Which? are independent.” (Glasgow, Personal Loan)

The most important elements of the PPI were considered as being the type or extent of cover, the length of the cover within a claim, the monthly cost and whether purchase can be made at the credit POS or whether the purchaser is required to wait 24 hours/7 days.

“For me length, how long it is covering. What it is covering. Once you get redundant after how many days it is started and the ease of making a claim actually.” (London, Mortgage)

“Aye the extent of the cover and the price.” (Glasgow, Personal Loan)

“Events against which the insurance offers protection on life, critical illness, accident and sickness.” (Manchester, Mortgage)

*“Length of time. They don’t want to feel too pressurised and too rushed do they? But then they could make a rash decision then, couldn’t they?”
(Manchester, Mortgage)*

3.4 Advantages of Credit Point of Sale Purchase

Main findings

The most commonly cited advantage of purchasing PPI at the credit point of sale is that immediate cover confers on consumers peace of mind from the moment the personal loan or mortgage is taken out. They also mentioned the ease and convenience of buying the PPI at the credit point of sale.

Detailed Findings

The most commonly mentioned advantage of taking out PPI at the credit point of sale is that it affords customers a ‘hassle free’ seamless offering which once completed can then be ‘forgotten about’ until it is required. Immediate cover was considered to offer consumers ease and convenience. Also many worried that if PPI was not bought at the credit point of sale they might potentially omit to do it at a later date.

*“The advantage of buying at the same time is you’re thinking about it, so you are in the financial environment and you are able to think about it.”
(Manchester, Personal Loan)*

*“You’ve got peace of mind haven’t you right from day one. And also from day one you know exactly how much is going out of your account.”
(Manchester, Personal Loan)*

*“It’s not only that, other things can crop up, all the financial things, I’ll buy that instead, I’ll do the PPI later, you can keep putting it off.”
(Manchester, Mortgage)*

The ‘hassle free’ financial processing that respondents desired also encompassed simply paying one bill or setting up one direct debit to cover both the loan and the PPI.

“It’s all in the one payment and everything, so it is, you know, it’s not as if you’ve got two separate payments, you’ve just got the one payment and that’s it.” (Glasgow, Personal Loan)

For some, taking out PPI with the same provider is an easy solution as the provider already has access to all the information required for processing the loan or mortgage application. By taking out PPI with the loan provider it ensures that everything is swiftly and efficiently dealt with. There is a definite trade off between the time taken to process the PPI and any potential cost savings provided by involving another supplier.

“When the mortgage was offered they offered the same product to cover it. [And did you think that was a good idea?] I think at that time I thought it was convenient rather than good or bad.” (London, Mortgage)

For some respondents disclosing financial information is an uncomfortable experience, as it means divulging intensely private information. These respondents are wary about discussing the intricate and intimate details of their financial situation with strangers and wish to minimise such episodes of financial disclosure. Many wanted to simply ‘get it over with’ as such discussions were regarded as very personal.

“..because we were taking the mortgage and the policy out with the same company over the same product, there was not all those damn questions to have to go through again, and expose your heart and soul to a complete stranger.” (Glasgow, Mortgage)

3.5 Disadvantages of Credit Point of Sale Purchase

Main findings

The most commonly cited disadvantage of purchasing PPI at the credit point of sale is that it fails to offer consumers sufficient time to fully comprehend what the PPI entails and, as importantly, what it omits to cover.

Detailed Findings

The most commonly mentioned disadvantage of purchase at the credit point of sale is that there is little time for reflection or contemplation of the PPI and its associated terms and conditions. Respondents describe this time as being presented with ‘information overload’, where there is simply too much information presented at one time to be able to take it all in. It is certainly an easy option for consumers to say ‘yes’ to PPI at the point of sale but whether it is always the best option for them is another matter. With hindsight customers are more wary of accepting the first PPI offered to them without conducting adequate research to ascertain what else is available.

“I probably didn’t take as much notice but I would say that that’s my fault for just wanting to get it out of the way. And probably the disadvantage is that you don’t read the small print.” (Manchester, Mortgage)

“The disadvantages would be if you had longer to take it out, you could get a better deal and you don’t know that you can get a better deal than you have been offered, so you have that opportunity to shop around.” (Manchester, Personal Loan)

“The first thing I would do is not just accept it because it’s convenient. So in other words I would also want to read the small print before I made a yes or no. Because I really want to know what else it covers not just what I’ve been told.” (London, Mortgage)

“Well the disadvantages are that you don’t, you don’t read the small print and you don’t really know what it is you’re buying.” (Glasgow, Personal Loan)

By making a decision at the credit point of sale consumers are denied the opportunity, if they wish to avail of it, of accessing the competitor offerings and of fully comprehending the terms they are agreeing to. There is a sense from some respondents that purchasing PPI at the point of sale means that they are being required to rush into making what could potentially be a flawed decision. By purchasing PPI at a (slightly) later date the prevailing feeling is that this can empower consumers as it offers the time to objectively review the current offering from their loan or mortgage provider and evaluate it against comparable offerings from other providers.

“Well obviously you are at a disadvantage because you’ve got to pay whatever it is they’re offering with the loan. You don’t really have a choice.” (Glasgow, Personal Loan)

“When we’ve looked around we could get cheaper policies, but we had no choice at the time.” (Leeds, Mortgage)

“In my case the very fact that I had the.. to buy at the same time wasn’t actually an advantage to me because as a result of it I bought something that perhaps wasn’t the best.” (London, Mortgage)

3.6 Disadvantages of PPI Delay

Main findings

There were concerns that procrastination in the purchase of PPI might mean that its purchase was overlooked, that something might happen in the meantime when the permanent PPI cover was not in place and that the process was slowed down in order to accomplish the PPI purchase.

Detailed Findings

The main disadvantage of removing the opportunity to purchase PPI at the point of sale is that consumers may delay or inadvertently forget to purchase it, thus exposing them to a financial risk should they become redundant or ill. There were strong concerns that any time delay in PPI purchase may leave them unnecessarily vulnerable to a financial risk until such time as they arrange the PPI. Therefore, the option to purchase PPI at the credit point of sale offers consumers access to a seamless and complete process, which can then be forgotten about until it is required.

“If I leave something, it could be next week [before I deal with it], that’s why I like it sorted straight away.” (Leeds, Personal Loan)

“Run risk of forgetting about it and worry that something might happen.” (Leeds, Mortgage)

“Prefer to get it sorted ASAP” (Leeds, Personal Loan)

There was also a feeling that by separating the loan and the PPI purchase the overall process was slowed down as it can only be finalised with the PPI purchase.

“There’s one other thing that did affect me when I was doing it which was psychological, because when you take out a mortgage you know it’s got a big debt and the worry is that if something happened between you walking out that door being run over by a bus... you’ve got to make sure it’s covered from that minute. ..So that gives you another powerful reason to straightaway want to do something, and they’re offering it to you at that moment, so it’s convenient as well as the psychological pressure to get it done straightaway.” (London, Mortgage)

3.7 Perceived Benefits of PPI Delay

Main findings

Delaying the PPI purchase offers customers more time to think about the current PPI on offer and the opportunity to meticulously read the small print associated with the PPI.

Detailed Findings

There was some interest in being offered the opportunity to ‘shop around’ for an alternative offering. Respondents felt that by shopping around they may gain access to a better or more suitable offering. The requirement to delay the PPI purchase also offered consumers the ability to review objectively the current PPI offering from the loan or mortgage provider without the need to take action immediately. This time also enabled consumers to review the small print to check that the correct information was provided as there was some concern that the details of the PPI, including what was covered and omitted, were overlooked when the PPI was signed at the credit point of purchase.

“I would definitely like it because it gives me the chance to have a little research for myself to see what is available and then within that 24 hour period I can then make a good choice, an informed choice as to what I’m doing, rather than being given to me at the same time, because this is what happened to me.” (London, Mortgage)

“It’s not much of an inconvenience especially if I’m getting a better deal” (Leeds, Personal Loan)

“[I would like] time to go away and do own research” (Leeds, Personal Loan)

3.8 Overall Attitudes towards Prohibition of Point of Sale Purchase of PPI

Main findings

Initially for some respondents prohibition of the credit point of sale purchase of PPI meant additional inconvenience as they sought out other providers. However, upon further reflection and discussion, as research like this affords respondents greater time and opportunity for reflection than would naturally be the case, the inconvenience was

considered to be outweighed by the advantage of being given the time to research other provider offerings.

Detailed Findings

From some respondents there was a feeling initially that by prohibiting the option of purchasing PPI at the credit point of sale it was deliberately imposing an inconvenience on consumers. Removing the option of point of sale purchase of PPI could mean that consumers would be required to spend more time trawling through the offerings of other providers and repeatedly verifying their financial information with other providers.

“The reason why we went with who we went was because we didn’t have to answer all the same sets of questions again.” (Leeds, Mortgage)

“It’s an inconvenience to sort out anyway.” (Leeds, Personal Loan)

However, upon reflection, there was a feeling that the inconvenience imposed by being required to have a time delay before the PPI purchase was a positive thing permitting consumers to research other provider offerings rather than being compelled to accept what was offered from the personal loan or mortgage provider.

“I got my PPI when I got a mortgage and I took this because it was more convenient for me... I did research and I found that it’s more expensive than some other companies are giving.” (London, Mortgage)

“None of these issues would inconvenience me now I know I can shop around; I thought they would inconvenience me at first, but if there are opportunities to shop around then they wouldn’t inconvenience me.” (Manchester, Personal Loan)

However, that said, respondents seemed unlikely ultimately to shop around for less than 20% discount and not for less than a £5 monthly differential. This is largely seen as a financial benefit from being ‘allowed’ to be more reflective rather than as compensation for a loss of convenience.

3.9 Recommended Period of Delay

Main findings

There were mixed reactions to the acceptable time delay for PPI purchase with some respondents requesting 24 hours and others preferring seven days. Many respondents queried what temporary coverage would be available in the intervening period when permanent PPI cover was not in place.

Detailed Findings

There were mixed views on the length of delay period that should be imposed from loan or mortgage agreement to PPI purchase. For some respondents 24 hours would be acceptable, whilst for some respondents a seven day alternative was preferable. For both periods some respondents queried what would happen to their cover in the intervening

period. For these respondents, there was a request for temporary cover to bridge the gap between the loan or mortgage purchase and the PPI purchase. Any time delay was felt to offer a ‘cooling off’ period to permit an objective scrutiny of the PPI offer.

“The reason I think it’s still convenient? 24 hours is not a long time, and if you think about it, it is the same company that’s going to offer you in 24 hours an option, that’s great..... So you’ve got 24 hours to do a little bit of research before you come to it.” (London, Mortgage)

“Thing is, once you go away it’s never convenient is it. I’d say maybe within 48 hours so it’s still fresh in your mind because otherwise anything longer than that, especially with some of the lifestyles that we lead, you’re busy with work or with family, it’s easy, you forget all about it.” (Manchester, Mortgage)

“I think a couple of days again, because then that gives you the chance to shop around, you know, now that know that you can do that, I think a couple of days you should be able to shop around in that time, shouldn’t you.” (Glasgow, Personal Loan)

3.10 Preference for Proactive or Reactive Contact from PPI Provider

Main findings

There were mixed reactions as to whether the provider or the consumer should initiate contact regarding the purchase of the PPI with perceived benefits articulated for both approaches.

Detailed Findings

Some respondents expressed a preference for the provider to call them back after a specific period whilst some respondents preferred that the onus was placed on them to call the provider. Finally, some respondents preferred a combination of both approaches.

For those who prefer a more proactive approach the main benefit was that it permitted them greater flexibility as to when and how they conducted their search.

“Call them after 24 hours but if I forgot, would like a reminder call saying they’d call after 7 days if not heard anything” (Leeds, Personal Loan)

“Can do in own time on the internet.” (Leeds, Personal Loan)

On the other hand, a reminder from the provider could also act as an opportunity for the loan provider to negotiate with the consumer and potentially improve their PPI offer.

“It’s got to be from whoever you took the loan from. So therefore if I took a loan from the bank, the bank should chase me after 14 days, have you sorted your PPI out yet?” (Manchester, Personal Loan)

“If they want your business they come to you.” (Manchester, Personal Loan)

“[The provider initiating contact] would be a very good way for the bank that’s giving you the loan or the credit or whatever product you buying, it would be sort of a selling tool for them because they send you a letter, they remind you of a product you need to buy because the PPI is a product and ..they could say, right .. we can improve that [offer] just bring us what you.” (Manchester, Personal Loan)

“I would prefer them to call me, but after 24 hours as you said, that’s fine.” (London, Mortgage)

3.11 Value of Time

Main findings

Respondents wished to limit the time they spent on the sales process for their PPI. In general, respondents felt that perhaps up to an hour was about the maximum time they were prepared to spend on the whole PPI sales process including both the search and application completion.

Detailed Findings

Respondents did not want to spend disproportionate amounts of time going through the sales process repeatedly in order to secure the best deal for their PPI. Whilst it is apparent that they would like to secure the best PPI deal this comes with the caveat that finding out about other PPI offers should be a relatively speedy process. Typically respondents talked about being prepared to spend up to an hour investigating and sorting alternative offers, with a preference for devoting as short a time as possible to this.

“Half an hour to sort out would be fine” (Leeds, Personal Loan)

“Wouldn’t want to spend more than 15 minutes going through another PPI process.” (Leeds, Personal Loan)

“Can do in own time on the internet and it’s easier; if I didn’t understand something I would just ring up.” (Leeds, Mortgage)

“Might spend more time (more than ½ hour) if I saved money” (Leeds, Personal Loan)

3.12 Alternative Versus Loan Provider

Main findings

Most typically respondents would only switch provider for a cheaper price if the same or better PPI cover were on offer.

Detailed Findings

There is a trade off to be made between getting the PPI cheaper from another provider against the ease of being offered it from the same provider. For some respondents the inclination to return to the same provider repeatedly meant that habit was a strong motivator.

“Would go back to loan provider and see if they could match.” (Leeds, Mortgage and Personal Loan)

“I’m a bit old fashioned and would tend to go with the same provider as I think they would offer me better service.” (Leeds, Mortgage)

3.13 Channel Preferences

Main findings

The preferred channels for securing a PPI were the internet and the telephone.

Detailed Findings

Most respondents would use the internet or the telephone to secure their PPI. For some the added benefit of these approaches is that it removes the possibility of a personal face-to-face encounter thereby confining it to a more formal, businesslike relationship. These respondents feared that, by establishing a rapport with the provider, it would make it more difficult to then decline to purchase the PPI. The added benefit of the telephone approach is that it is interactive and queries can be addressed. These approaches also offered consumers greater time flexibility than a face-to-face approach.

“Internet is quick and easy but sometimes you want reassurance by asking a question.” (Leeds, Personal Loan)

“I would search on the internet to find out the options and then either phone or carry on with the internet to go through the application” (Leeds, Mortgage)

“Rather do whole process on phone, perhaps the phone but not in branch.” (Leeds, Personal Loan)

For one respondent there was a preference for a postal approach.

“Like to see things on paper, sign and send away; don’t like internet banking as I don’t trust it.” (Leeds, Personal Loan)

3.14 Qualitative Conclusions

The qualitative research clearly showed a lack of awareness amongst respondents about the PPI product.

The initial reaction to point of sale prohibition was one of concern about inconvenience but, after consideration, some respondents cited benefits that outweighed this inconvenience.

A 20% discount was seen as the minimum 'prize' for delaying the purchase but this was viewed more as a benefit of being reflective rather than compensation for the loss of convenience associated with not being able to facilitate a credit point of sale purchase of PPI.

A key reason for conducting the qualitative research was to ensure that the appropriate stated preference attributes and levels were selected for the quantitative research programme and that the language used within the quantitative research was understandable to respondents.

The qualitative research identified that the key product features were:

- type/extent of cover
- time needed to hold insurance before cover kicks in
- monthly premium
- timing of purchase.

There were no discernable differences between mortgage and personal loan PPIs.

4. QUANTITATIVE FINDINGS

4.1 Introduction

This element of the research comprised a phone-post/email-phone survey, including a short stated preference section, conducted with 806 consumers (403 with those who had taken out a PPI with their mortgages and 403 with those who had taken out a PPI with their personal loans).

4.2 Loan and Mortgage Statistics

Main findings

The mean mortgage for our population was £87.1k and the median was £70k.

The mean personal loan was £6.9k whilst the median was £5k.

The mean monthly PPI level for mortgages was £35.30 and the median level was £29.

The mean monthly PPI level for personal loans was £30.50 and the median level was £20.

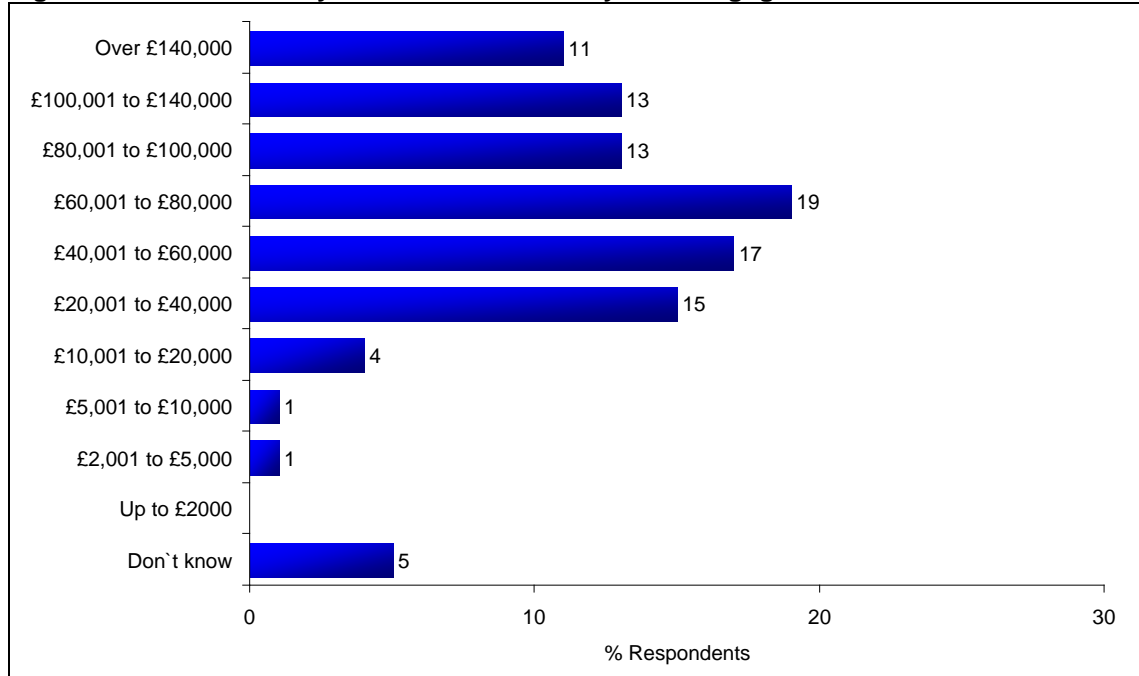
Detailed Findings

All respondents were asked to indicate the level of their mortgage or personal loan. The question was asked of respondents in terms of the precise amount and this has been banded below for presentational purposes. In those circumstances where the respondent provided an answer which was calculated as showing a difference of more than 20% from the amount that was recorded in the database, respondents were read the following question and the response to this question was then coded.

“Our records show that the size of your loan is (database amount) compared with the amount that you gave of £.....On reflection which is the right amount (respondent to decide).”

The following chart summarises the size of respondents’ mortgages, with a mean of £87.1k and a median of £70k.

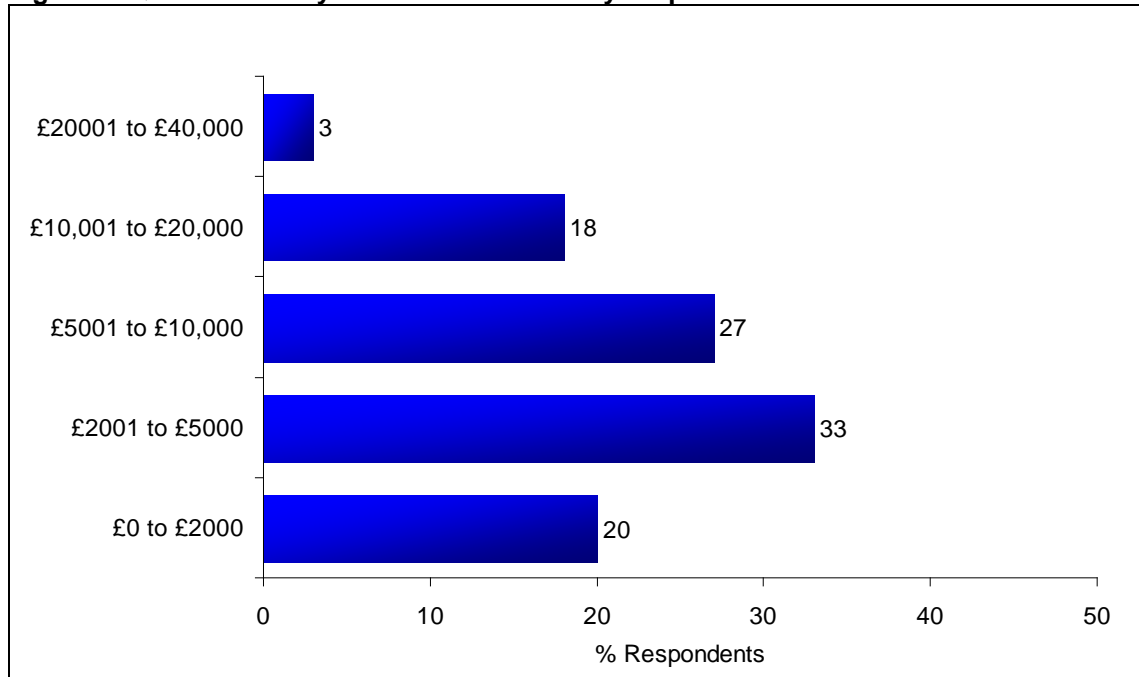
Figure 1: Q4 Please can you tell me how much your mortgage is for?



Sample: 403 respondents

The following chart summarises the size of the respondent personal loans with a mean of £6.9k and a median of £5k.

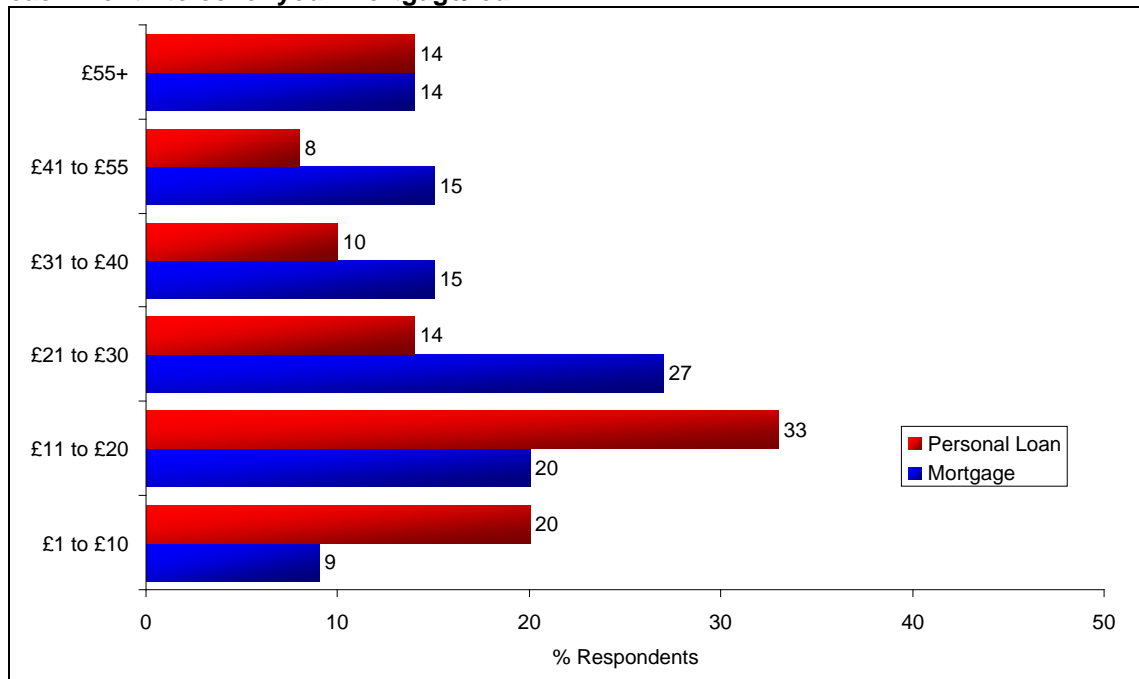
Figure 2: Q4 Please can you tell me how much your personal loan is for?



Sample: 403 respondents

All respondents were asked to indicate their monthly level of payment protection on their mortgage or loan. The mean monthly PPI level for mortgages was £35.30 and the median level was £29. The mean monthly PPI level for personal loans was £30.50 and the median level was £20.

Figure 3: Q5 How much Payment Protection Insurance (to the nearest pound) do you pay each month to cover your mortgage/loan?



Sample: All respondents

4.3 Details of PPI

Main findings

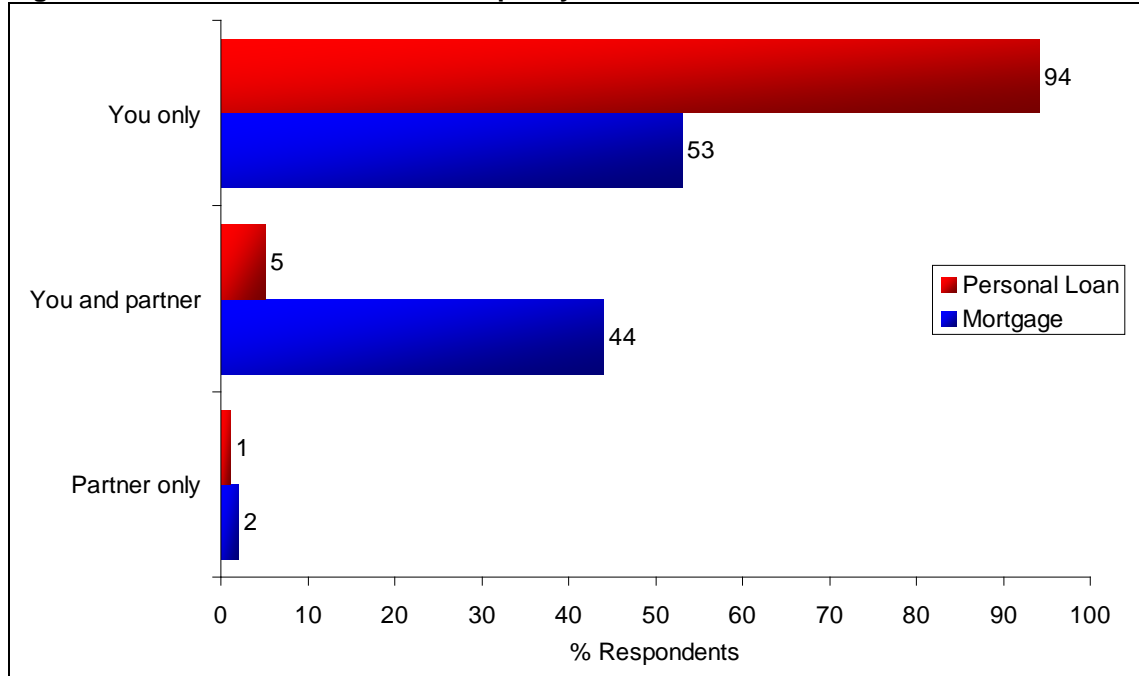
For personal loans the vast majority only include one name on the policy whilst for mortgages there is a much more equitable split between having a sole name included and representation from both the respondent and their partner. Few had made a claim on their PPI.

Detailed Findings

All respondents were asked who was named on the policy.

For personal loans the vast majority (95%) only included one name on the policy. However, for mortgages there was a much more equitable split between having a sole name included (55%) and representation from both the respondent and their partner (44%), as shown below.

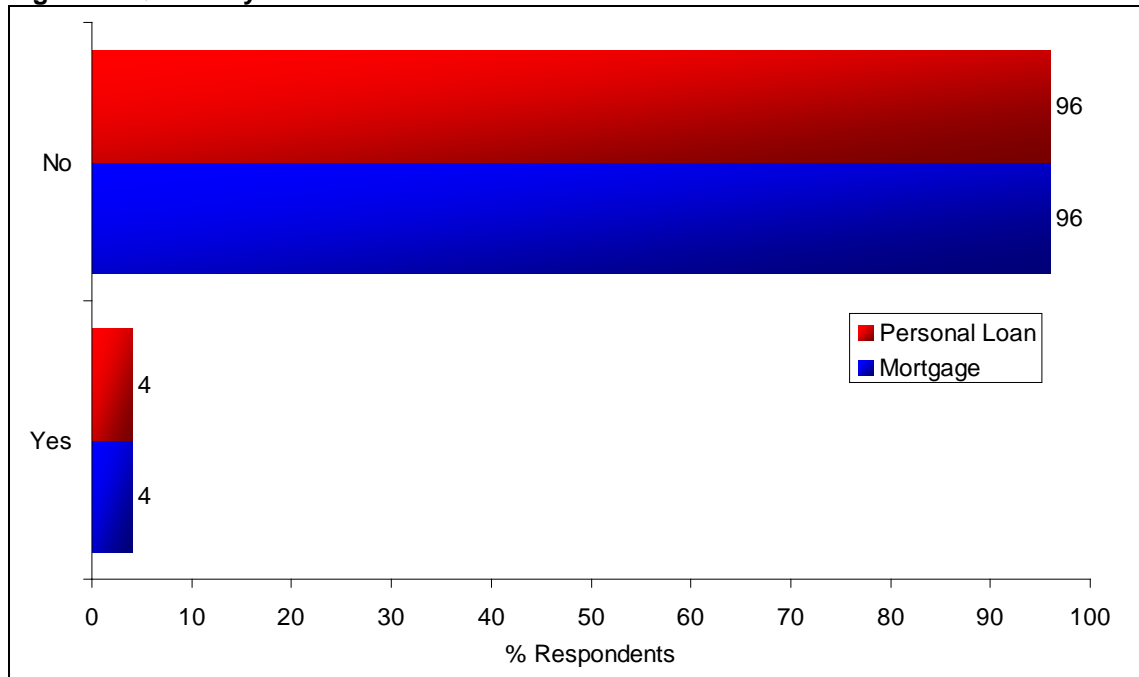
Figure 4: Q7 Who is named on the PPI policy?



Sample: All respondents

All respondents were asked whether they had ever made a claim on their policy. The vast majority of respondents, irrespective of whether for mortgage or loan policies (96%), had not made a claim on their policy.

Figure 5: Q8 Have you ever had to make a claim?



Sample: All respondents

4.4 PPI Coverage

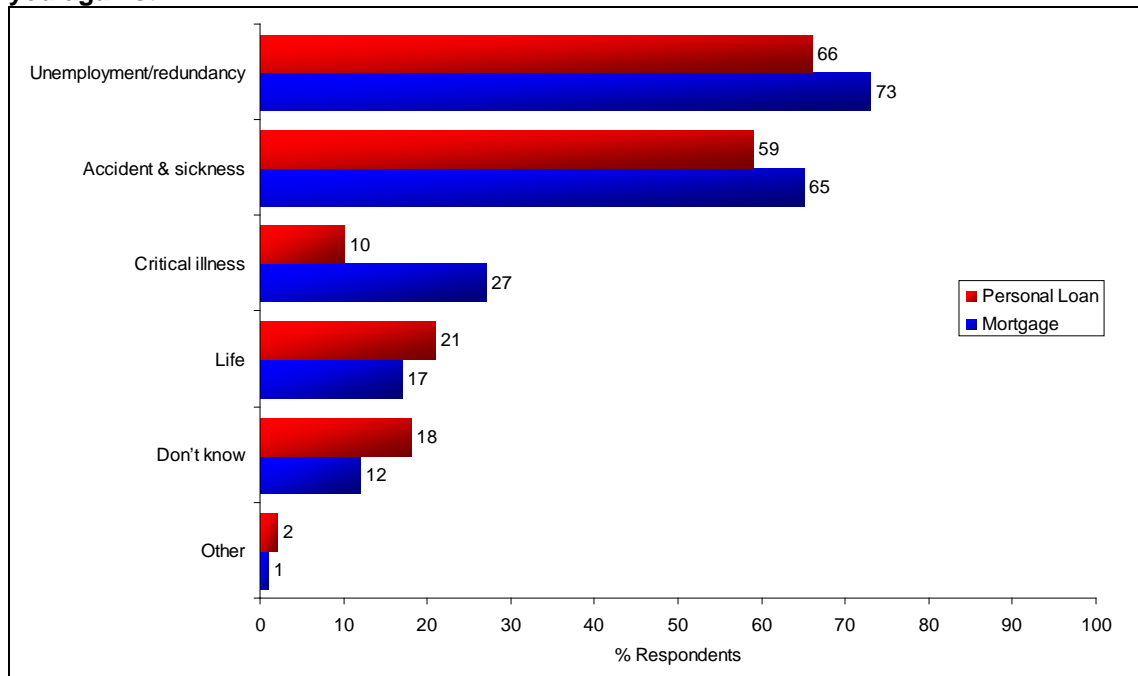
Main findings

The two main types of cover provided by PPI policies were stated as being against the risk of unemployment/redundancy and accident/sickness. Coverage against these risks is most typically reported as being up to 12 months. MPPI is reported as being more typically purchased face to face whereas PLPPI purchases were reported as being fairly equally spread between a telephone and a face-to-face approach. A face-to-face approach was the preferred approach to taking out financial products in general especially among MPPI customers.

Detailed Findings

The main circumstances that the MPPI policy holders said they were covered for were unemployment/redundancy and accident/sickness with between two thirds and three quarters of the policy holders saying they were covered for these issues. The pattern was similar for PLPPI policies but the proportions claiming this were slightly less for both unemployment/redundancy and accident/sickness than those recorded for MPPI, as shown below.

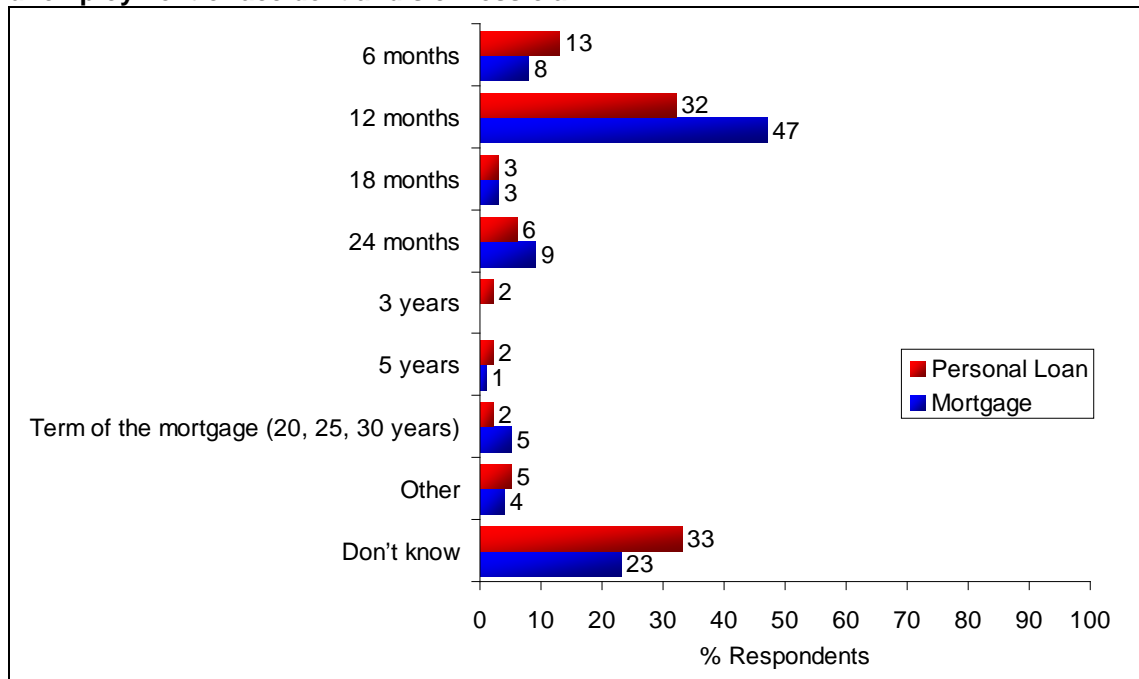
Figure 6: Q9 What circumstances does your Payment Protection Insurance policy cover you against?



Sample: All respondents

All respondents who thought they were covered for unemployment and/or accident and sickness were asked to indicate how long they thought they were covered for in the event of an unemployment or accident and sickness claim. The cover was most typically reported as for 12 months, particularly for mortgage policies (47%). However, a third of those with personal loans and nearly a quarter with mortgage policies (23%) also said that they were unaware of the duration of this cover, as shown below.

Figure 7: Q10 How long does this insurance cover you for in the event of an unemployment or accident and sickness claim?

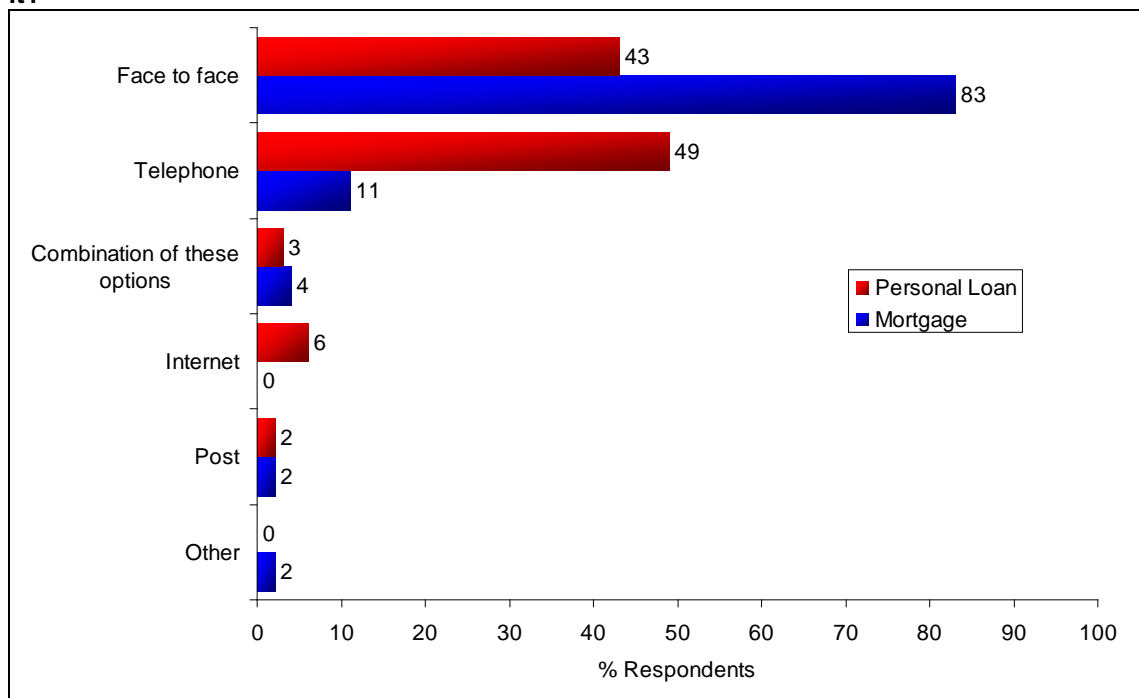


Sample: 633 respondents

All respondents were asked to describe, when they took out their payment protection insurance, how they had bought it.

Most people purchased MPPI in person whereas PLPPI purchase was more equally spread between a telephone and a face to face approach, as shown below.

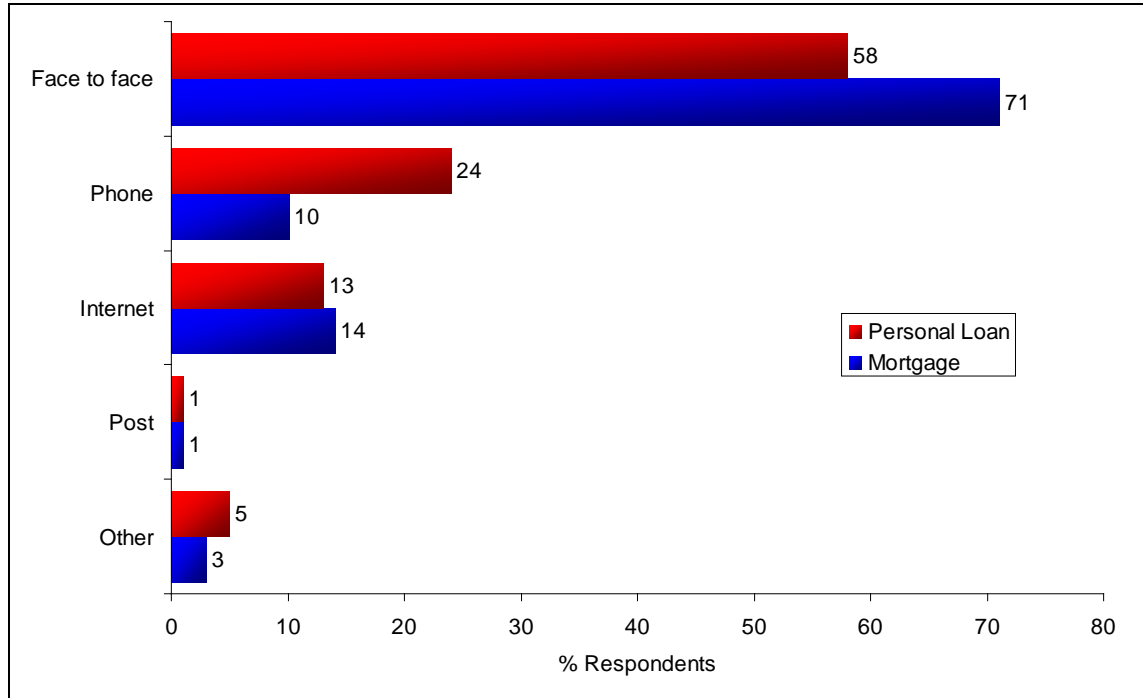
Figure 8: Q11 When you took out your Payment Protection Insurance, how did you buy it?



Sample: All respondents

All respondents were then asked to indicate the method by which they preferred to purchase financial products like insurance. When it comes to purchasing financial products in general, face-to-face was still the preferred channel although the propensity to use the internet is also apparent. Half of those who indicated the internet as their preferred purchase mechanism would complete the whole process on line whilst two fifths would like to follow an online application up by telephone.

Figure 9: Q12 And generally, by which method do you prefer to buy financial products such as insurance?



Sample: all respondents

4.5 Purchase of PPI

Main findings

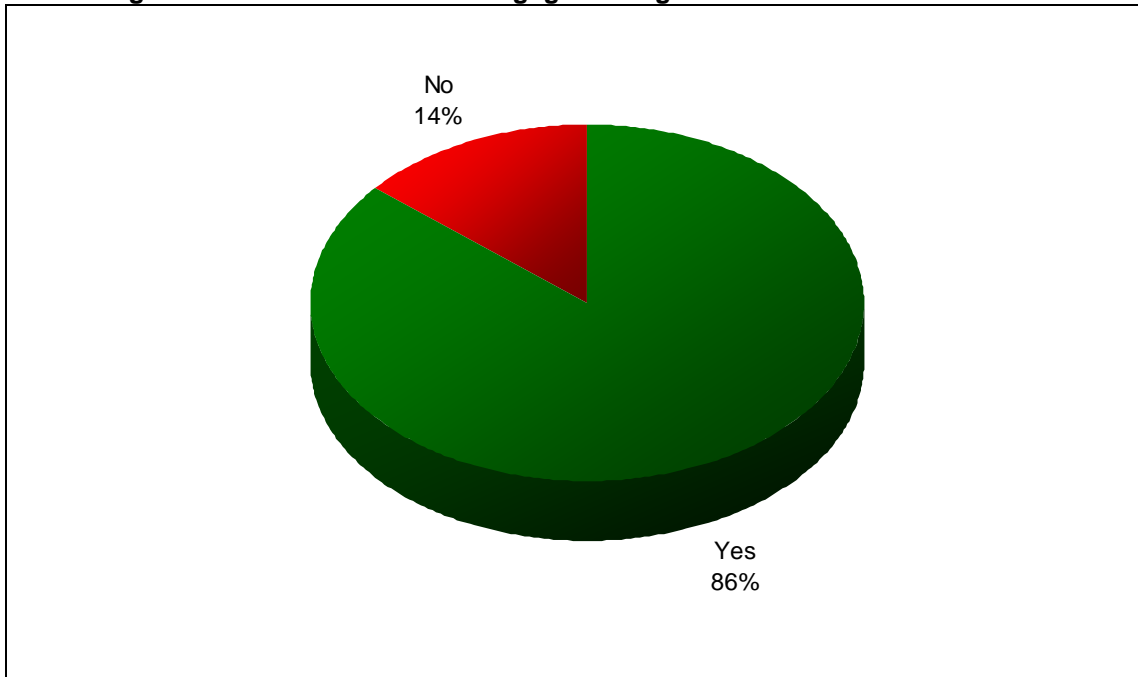
The vast majority of respondents had taken out the PPI at the credit point of sale. The main reason and perceived advantage offered for this decision to purchase PPI at the credit point of sale was that it offered immediate cover thus conferring peace of mind. Although more respondents could not see any disadvantages with taking out PPI at the credit point of purchase a significant minority considered that it reduced the opportunity to shop around.

Detailed Findings

All respondents were asked to indicate whether they took out the PPI at the credit point of sale; that is, at exactly the same moment as the loan was agreed.

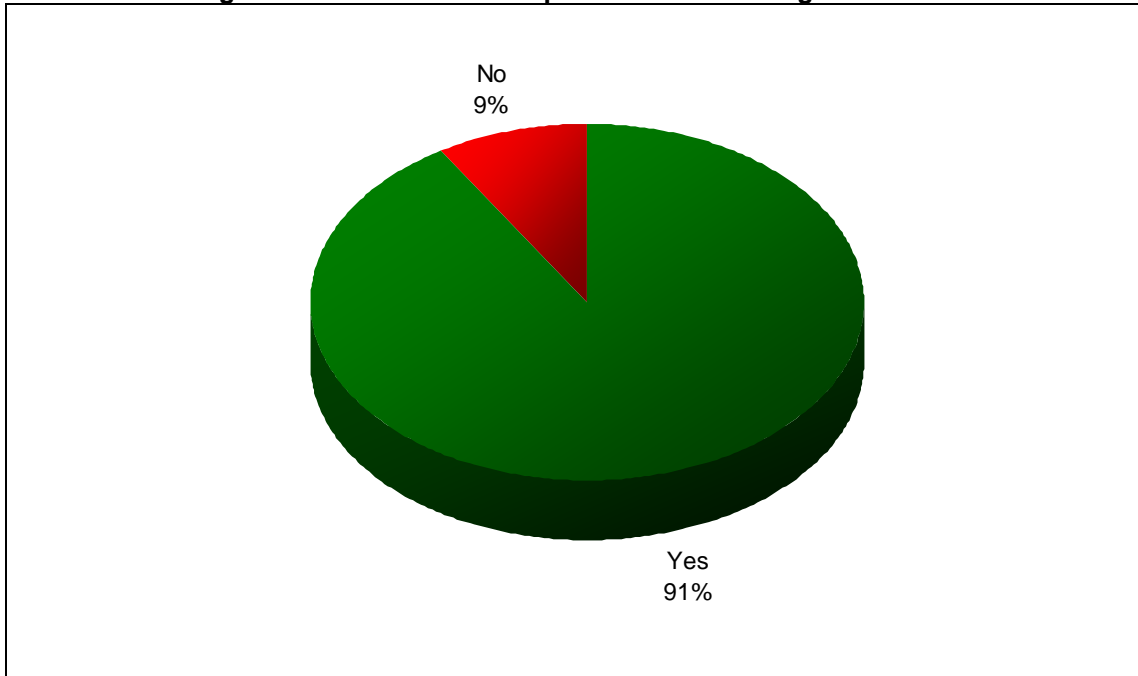
The vast majority of respondents had taken out the PPI at the moment the loan was agreed, with slightly more respondents with a personal loan indicating this.

Figure 10: Q14 Did you take out your Mortgage Payment Protection Insurance that we are discussing at the same time as the mortgage was agreed?



Sample: 403 respondents

Figure 11: Q14 Did you take out your Personal Loan Payment Protection Insurance that we are discussing at the same time as the personal loan was agreed?

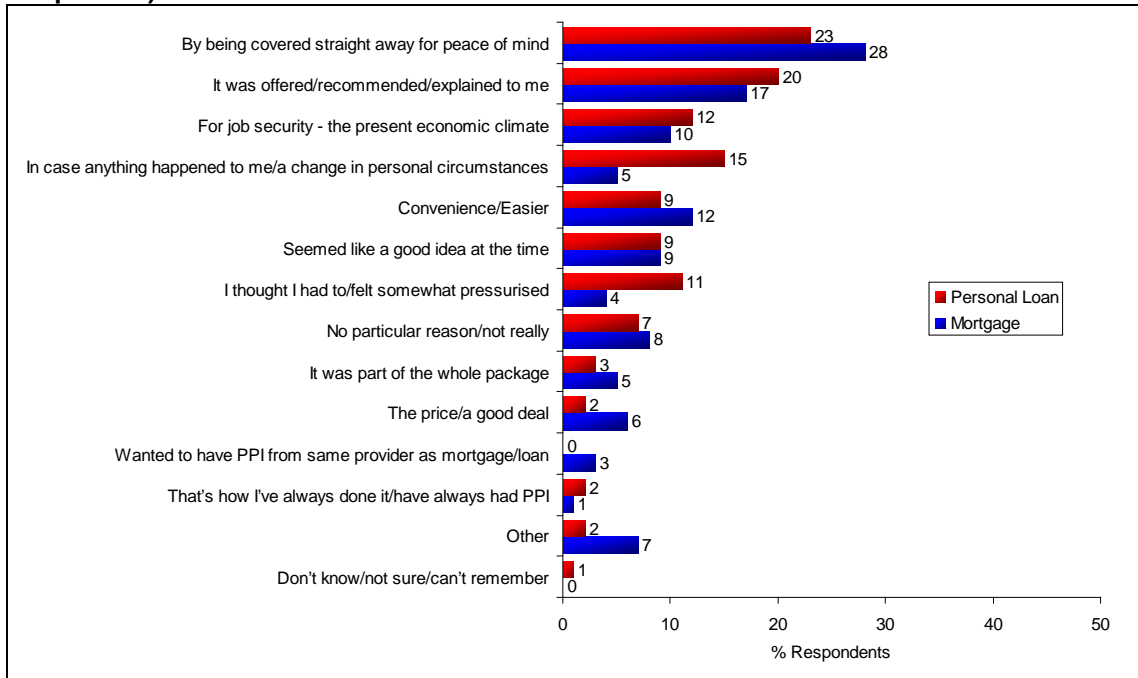


Sample: 403 respondents

Respondents who had taken out the PPI at the credit point of sale were then asked to indicate if there was a particular reason why they had taken this action at that time.

As for the qualitative research the most common reason offered was that purchasing immediate cover offered respondents peace of mind. However, it is worth noting that almost a tenth of respondents, primarily those who had taken out a personal loan, did so because they felt that they were obliged to, as shown below.

Figure 12: Q15 Was there a particular reason why you took out your Payment Protection Insurance at exactly the same time as the mortgage/loan was agreed? (Spontaneous Responses)



Sample: 710 respondents

The profile of those who stated that they had felt pressurised to take out PPI at the same time as the loan, and those who had believed that PPI was part of the total package is shown in the following table.

An overcode (anyone who gave either of these opinions) is also shown.

There is an indication that those taking personal loans were rather more likely to feel pressurised and/or that PPI was part of the package but otherwise there is relatively little difference in the demographic/loan profile between those giving these responses and the total.

Table 2: Q15 Characteristics of those who either felt obliged to buy the Payment Protection Insurance, and/or those who felt it was part of the whole package, at the same time the loan was agreed

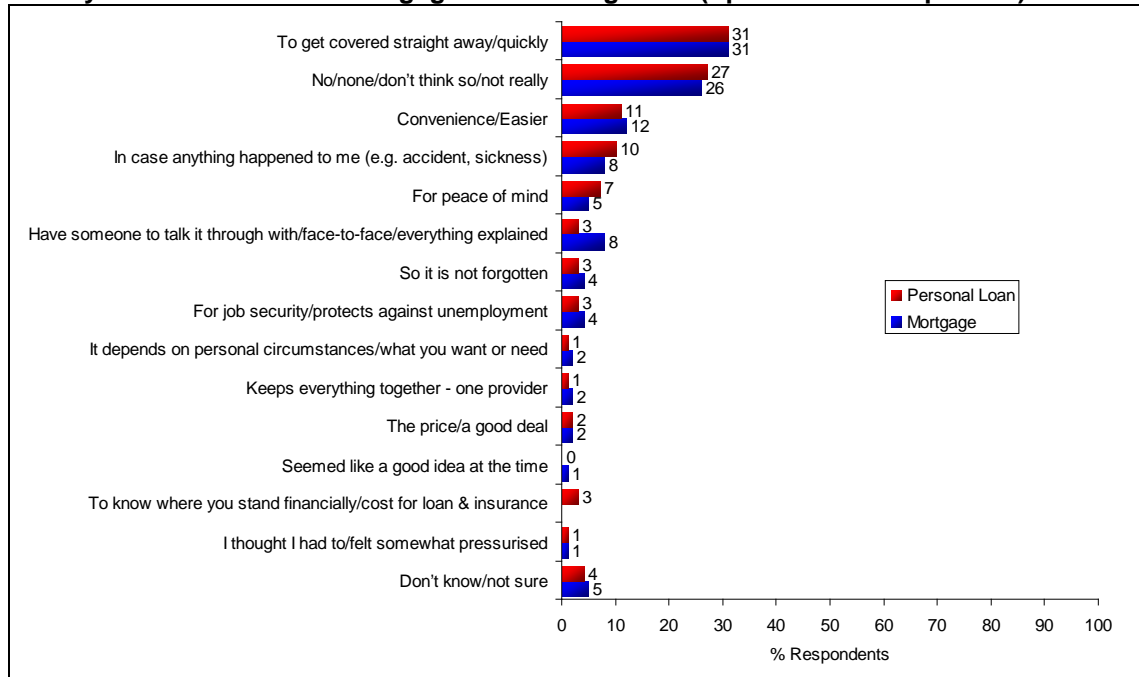
Segment	I thought I had to/felt somewhat pressurised (N=54)	It was part of the whole package (N=27)	I thought I had to/felt somewhat pressurised / it was part of the whole package (Base=80)*	Those asked to give a reason for buying PPI at the same time as the loan was agreed (Base=710)
Loan type	M = 15 PL = 39	M=16 PL=11	M = 31 (39%) PL = 49 (61%)	M = 49% PL = 51%
Loan size	≤£20k = 37 >£20k = 17	≤£20k = 11 >£20k = 16	≤£20k = 47 (59%) >£20k = 33 (41%)	≤£20k = 53% >£20k = 45% Don't know = 2%
PPI amount	£1-£30 = 34 Over £30 = 20	£1-£30 = 12 Over £30 = 15	£1-£30 = 46 (57%) Over £30 = 34 (43%)	£1-£30 = 63% Over £30 = 37%
SEG	ABC1 =26 C2DE = 27 Refused = 1	ABC1=19 C2DE =8	ABC1 = 44 (55%) C2DE = 35 (44%) Refused = 1 (1%)	ABC1 = 53% C2DE = 46% Refused = 12 (1%)
Gender	M = 33 F = 21	M = 21 F = 6	M = 53 (66%) F = 27 (34%)	M = 62% F = 38%
Income	<£30k = 29 ≥£30k = 21 Refused = 4	<£30k = 9 ≥£30k = 16 Refused = 2	<£30k = 38 (48%) ≥£30k = 36 (45%) Refused = 6 (7%)	<£30k = 49% ≥£30k = 41% Refused = 10%
Age	18-44 = 19 45+ = 35	18-44 = 18 45+ = 9	18-44 = 37 (46%) 45+ = 43 (54%)	18-44 = 50% 45+ = 50%
Employment Status	Full time = 40 Other = 14	Full time = 23 Other = 4	Full time = 62 (78%) Other 18 = (22%)	Full time = 75% Other = 25%

* One respondent gave both these reasons for purchasing PPI, giving a base of 80 for those who gave either reason, to avoid double-counting

All respondents were asked to indicate any potential advantages or disadvantages of taking out PPI at the credit point of sale.

The main advantage was seen as getting covered immediately so that there was no time lapse between taking out the loan and instigating the PPI cover. However, just over a quarter of respondents cannot see any advantage to credit point of sale purchase.

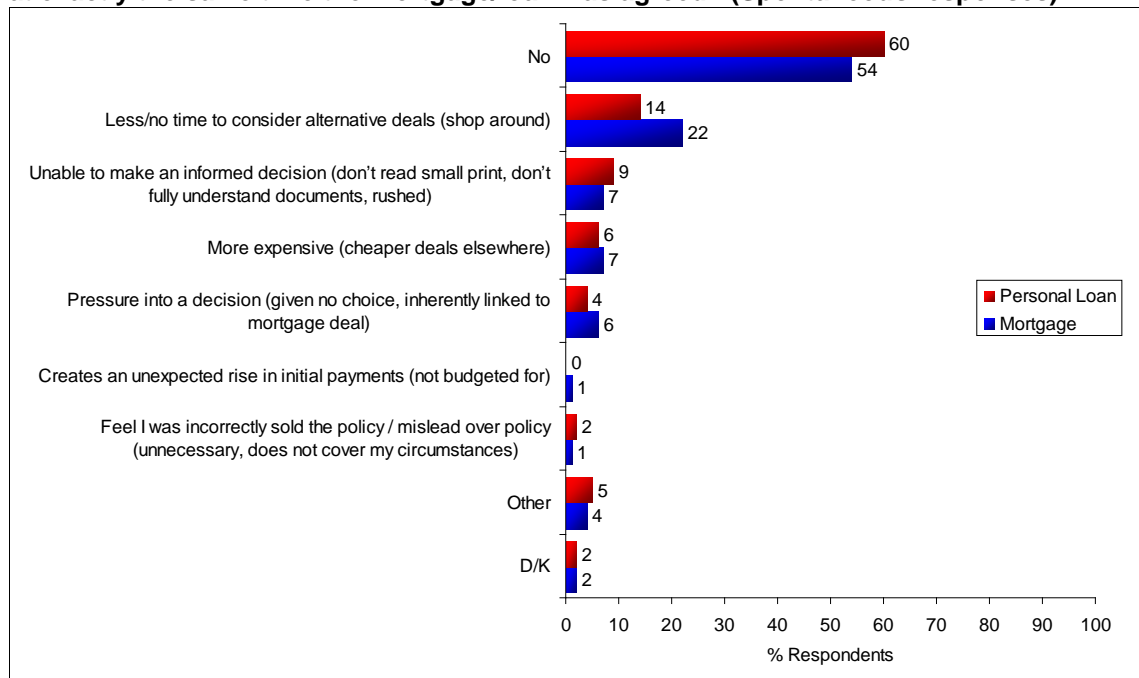
Figure 13: Q16 Are there any advantages of taking out Payment Protection Insurance at exactly the same time the mortgage/loan was agreed? (Spontaneous responses)



Sample: All respondents

Between half and two thirds of respondents cannot see any disadvantages with taking out PPI at the credit point of purchase although a significant minority considered that it reduced the opportunity to shop around or to make an informed decision, as shown below.

Figure 14: Q17 Are there any disadvantages of taking out Payment Protection Insurance at exactly the same time the mortgage/loan was agreed? (Spontaneous responses)



Sample: All respondents

4.6 Willingness to Pay for Product Changes

The next stage in the research was to explore how respondents articulated their willingness to pay (WTP)/willingness to accept (WTA) monetary values for potential product changes whereby they could no longer purchase PPI at the credit point of sale.

As discussed in Section 2.3 this was achieved by way of implementing a stated preference approach.

4.7 The Stated Preference Exercise Explained

The key aspect to explore was the valuations that consumers associate with the ability to buy PPI at the credit point of sale and later but, as with any stated preference, it is important to ‘mask’ any particular issue by looking at how that issue might trade off against other issues important to that particular transaction.

The qualitative research had determined that there were four aspects that were of most relevance to the PPI consideration – type of cover, length of cover during a claim, monthly premium and the timing of PPI purchase.

Three levels were defined for each aspect; so that in total twelve individual ‘building bricks’ were available to make up the options between which respondents were asked to choose.

The levels that were defined for each of these attributes for the stated preference component are summarised in the following table.

Table 3: Attributes identified in the qualitative research

	Definition	Level 1	Level 2	Level 3
Time of purchase	<i>When the Payment Protection Insurance is bought</i>	Point of sale ie at exactly the same time/at the same moment as the loan was agreed (<i>as now</i>)	Not at point of sale ie not at exactly the same time/at the same moment as the loan was agreed but you call the provider after 24 hours	Not at point of sale ie not at exactly the same time/at the same moment as the loan was agreed but the provider calls you after 7 days
Type of Cover	<i>What the Payment Protection Insurance covers you for</i>	Unemployment	Unemployment, accident and sickness	Unemployment, accident and sickness and life/critical illness
Period of time covered for	<i>How much time you are covered for in the event of a Accident sickness or unemployment claim</i>	Up to 6 months from the date of the claim	Up to 12 months from the date of the claim	Up to 24 months from the date of the claim
Monthly/ annual premium	<i>How much you are paying every month and year</i>	Existing plus 15%/20%/25%	Existing	Existing minus 15%/20%/25%

These attributes and levels were presented in various combinations and respondents were asked to choose between option A and option B. Each respondent was asked to do this six times in total as part of a factorial design.

An example of the options that respondents saw is included in the following table.

Table 4: Example of the stated preference choice experiment

	Option A	Option B
Time of purchase When the Payment Protection Insurance is bought	At point of sale ie at exactly the same time /at the same moment as the loan was agreed	Not at point of sale ie not at exactly the same time /at the same moment as the loan was agreed but the provider calls you after 7 days.
Type of Cover What the Payment Protection Insurance covers you for	Unemployment, accident and sickness and critical illness	Unemployment, accident and sickness
Period of time covered for How much time you are covered for in the event of an accident, sickness or unemployment claim	Up to 6 months from the date of the claim	Up to 24 months from the date of the claim
Monthly/annual premium How much you are paying every month and year	Existing monthly premium of £28/annual premium of £336	Monthly premium of £21/ annual premium of £252

Analysis was then conducted in two stages, namely:

- Stage 1: this comprised working out the utilities¹ through regression; higher utilities mean that a higher valuation is given to that attribute level. The sign is important and the regression can also provide t-statistics which demonstrate whether a derived parameter is statistically significant (a resulting t-value of over 1.96 means that that parameter is significant at the 95% confidence level ie if the research was repeated there would be a 95% chance of having the same result again)
- Stage 2: comprised the calculation of respondent Willingness to Pay/Accept; this involved multiplying the costs associated with all the chosen options in the sample with the ratio of the particular parameter utility coefficient and the estimated logcost utility coefficient. This is described further in Appendix A.

4.8 MPPI/PLPPI Utilities

Main Findings

There was a significant positive valuation attached to building upon the minimum or base values of the PPI attributes that were tested.

The highest values were attached to the type of cover (ie extending beyond just employment cover), the next highest to the period of claim cover (ie extending beyond 6

¹ A description of what ‘utilities’ are and how they are derived is included in Appendix A.

months) with the lowest valuations being attached to the time of purchase (ie changing from credit point of sale purchase).

This was the case for both MPPI and PLPPI.

Detailed Findings

The first stage of the analysis was to undertake regression analysis to produce utility scores and levels of confidence. For all attributes the utility scores are estimated in relation to the base level which, in the case of the type of cover, is for unemployment only. The base level has an imputed utility score of zero against which we can measure significant positive scores, or negative if that happens, for the other tested levels

The base levels for the other attributes were 6 months claim cover and credit point of sale PPI purchase.

Cost is treated as a continuous attribute with the values for each respondent varied around the monthly/annual premium that they are actually paying.

The utility parameter in this case is derived as a disutility associated with a per pound increase in the premium.

The following table illustrates that there is a statistically significant benefit attached to the type of cover with MPPI cover including both accident and sickness cover or accident, sickness and life/critical illness cover each valued more highly than cover that only has unemployment cover.

It is also worth noting that relative to the other factors, people attach greatest importance to the type of cover when they purchase PPI – the values are positive and higher.

This table also shows that, with regard to the time of purchase, there is a statistically significant positive benefit attached to delaying the option to purchase to 7 days and an insignificant positive benefit attached to the 24 hour option. It also indicates that the time of purchase is the least important factor relative to the other PPI attributes.

Regarding the period covered, although both are considered statistically significant benefits, MPPI cover which increases from 6 to 24 months from the date of the claim is valued twice as highly as MPPI cover which extends from 6 to 12 months.

Finally cost has a significant disbenefit associated with every pound that the premium increases.

Table 5: First stage of analysis for Mortgage Payment Protection Insurance consumers

	Service Aspect	MPPI utilities	t stat
Type of Cover	Unemployment, accident and sickness and life/critical illness	1.32	13.80*
	Unemployment, accident and sickness	1.05	6.10*
	Unemployment (Baseline)	-	-
Time of Purchase	Not at PoS but provider calls you after 7 days	0.26	3.30*
	Not at PoS but you call provider after 24 hours	0.14	1.30****
	Credit Point of Sale (Baseline)	-	-
Period Covered for	Up to 24 months from the date of the claim	0.85	10.4*
	Up to 12 months from the date of the claim	0.40	4.20*
	Up to 6 months from the date of the claim (Baseline)	-	-
Cost	£ per month	-0.93	5.8*

*Significant at 95% confidence interval ($t > 1.96$)

**** Not significant

The following table summarises the benefits for PLPPI, with the results following the same structure as for MPPI above.

The most important attribute is the type of cover with both accident and sickness and then life/critical illness providing positive improvements to the PPI product for consumers.

Similarly, extensions to the period of cover beyond a minimum of 6 months are valued.

Again, there is a positive benefit attached to moving to a 7 day delay from credit POS but the 24 hour delay is not valued significantly differently from buying PPI at the same time as credit.

Table 6: First stage of analysis for Personal Loan Protection Insurance consumers

	Service Aspect	PLPPI Utilities	t stat
Type of Cover	Unemployment, accident and sickness and life/critical illness	1.35	16.40*
	Unemployment, accident and sickness	1.11	10.30*
	Unemployment (Baseline)	-	-
Timing of Purchase	Not at PoS but provider calls you after 7 days	0.17	2.10*
	Not at PoS but you call provider after 24 hours	0.06	0.30****
	Credit Point of Sale (Baseline)	-	-
Period of cover from date of claim	Up to 24 months from the date of the claim	0.94	12.70*
	Up to 12 months from the date of the claim	0.39	3.60*
	Up to 6 months from the date of the claim (Baseline)	-	-
Cost	£ per month	-0.93	6.0*

*Significant at 95% confidence interval ($t > 1.96$)

**** Not significant

4.9 WTP Estimates for Type of Cover

Main findings

Respondents were willing to pay higher additional premiums for product extensions to the MPPI cover than for the PLPPI cover.

Detailed Findings

The following table summarises what respondents said they were willing to pay for the type of cover they received.

For MPPI cover respondents were willing to pay another £32.60 per calendar month (pcm) for MPPI if it included accident & sickness in addition to the amount that they would need to pay for unemployment; on top of that they would also be willing to pay an extra £8.40 pcm for life and critical illness.

PLPPI respondents were willing to pay another £23.80 pcm if the cover included accident & sickness as well as the amount that they would need to pay for unemployment; on top of that they would also be willing to pay an extra £5.20 pcm for life and critical illness.

Table 7: Analysis for Type of Cover WTP²

Service Aspect	MPPI WTP £ per month	t s t a t	PLPPI WTP £ per month	t s t a t
Life & critical illness	£8.40	5.79*	£5.20	6.10*
Accident and sickness	£32.60	5.05*	£23.80	6.19*
Unemployment	-	-	-	-

*Significant at 95% confidence interval (t>1.96)

4.10 WTP Estimates for Period of Cover

Main findings

Consumers were willing to pay to extend the claim cover from 6 to 12 or 24 months.

Detailed Findings

The following table summarises what it was estimated that respondents were willing to pay for the period of cover they obtain.

It shows, for example, that consumers were willing to pay another £8.30 pcm to extend PLPPI cover from 6 to 12 months from the date of the claim or £11.90 pcm to extend from 12 to 24 months from the date of cover.

Similarly, consumers were willing to pay another £12.50 pcm for MPPI to extend the cover from 6 to 12 months from the date of the claim or £14.00 pcm for an extension from 12 to 24 months from the date of cover.

Table 8: Analysis for Period of Cover WTP

Service Aspect	MPPI WTP £ per month	t s t a t	PLPPI WTP £ per month	t s t a t
24 months cover from the date of the claim (rather than 12)	£14.00	5.72*	£11.90	6.06*
12 months from the date of the claim (rather than 6)	£12.50	3.34*	£8.30	3.04*
6 months from the date of the claim	-	-	-	-

*Significant at 95% confidence interval (t>1.96)

² A more detailed explanation of how willingness to pay related to the estimated utility scores is included in both Section 4.8 and in Appendix A.

4.11 WTP Estimates for Time of Purchase

Main findings

Both MPPI and PLPPI customers were willing on aggregate to pay more to delay taking out PPI for 7 days than to buy it at the same time as credit. There is no significant value (positive or negative) associated with taking out PPI 24 hours after the credit point of sale.

Detailed Findings

Consumers were on average willing to pay £8.10 pcm more with MPPI and £3.70 pcm more with PLPPI for a sales process where the provider called them 7 days after the credit sale when compared with buying PPI at the same time as credit.

There was no value – either positive or negative – attached to a move from buying PPI at the credit point of sale to 24 hours later, where values were not significant. This is shown in the table below.

Table 9: Analysis for Time of Purchase WTP

Service Aspect	MPPI WTP £ per month	t stat	PLPPI WTP £ per month	t stat
Not at PoS but provider calls you after 7 days	£8.10	3.01*	£3.70	2.06*
Not at PoS but you call provider after 24 hours	£4.35	1.31****	£1.25	0.30****
Point of Sale	-	-	-	-

*Significant at 95% confidence interval ($t > 1.96$)

**** Not significant

4.12 Willingness to Pay by those who said that they would prefer to buy PPI at the credit point of sale or later – Mortgages

Main findings

Although many MPPI consumers articulate the value of convenience of buying MPPI at the credit point of sale, there was a market segment that argued more strongly for the preference for a short delay. The overall effect was that customers would be willing to pay for a delay in MPPI purchase.

Detailed Findings

The following table shows that those who prefer to buy MPPI after the credit point of sale showed a willingness to pay for this rather than having the credit point of sale option maintained. Those preferring the latter, on the other hand, did not seemingly need to be compensated if it were taken away (results were not significant).

Therefore for MPPI consumers there is no statistically significant willingness to pay for a loss of convenience for those who prefer buying at the credit point of sale whilst there is a willingness to pay for a delay amongst those favouring that option.

The estimated monetary estimates are £30 pcm for 7 days (significant at 95% confidence interval) and £18.70 pcm (significant at 94% confidence interval) for 24 hours, as shown in the following table.

Table 10: Willingness to Pay and Customer Preference about Timing of Purchase – Mortgages

Customer preference about timing of purchase	Willingness to Pay (£pcm)		
	Prefer to buy PPI at the credit POS 50%#	Prefer to buy after credit POS 36%#	Indifferent about timing of PPI purchase 14%#
Credit Point of Sale	Baseline	Baseline	Baseline
Not at PoS but provider calls you after 7 days	-£3.10 t-stat = 0.93****	£30 t-stat = 2.5*	£2.05 t-stat = 0.60****
Not at PoS but you call provider after 24 hours	-£4.30 t-stat = 0.99****	£18.70 t-stat = 1.93**	£0.30 t-stat = 0.1****

*Significant at 95% confidence interval (t>1.96)

**Significant at 94% confidence interval (t>1.881)

**** Not significant

Percentage of respondents who said this in response to a direct question

4.13 Willingness to Pay by those who said they would prefer to buy at credit POS or later – Personal Loans

Main findings

PLPPI consumers who preferred to buy PPI at the credit point of sale attribute a monetary cost with no longer having that option available although those who preferred that PLPPI was available only after a delay place a higher positive valuation on having that delay than those who prefer point of sale do for buying at point of sale.

Detailed Findings

The following table shows that those who prefer to purchase PPI at the credit point of sale place a positive valuation on their preference although those who prefer that PLPPI is available only after a delay place a higher positive valuation on having that delay than those who prefer point of sale do for buying at point of sale.

The value of taking out PPI at the credit point of sale for those favouring that option is £9.00 pcm when compared with calling back after 24 hours and £7.30 pcm when compared with being called after 7 days.

For those preferring a delay the figures are £23.70 pcm and £18.10 pcm for 7 days and 24 hours respectively, as shown in the following table.

Table 11: Willingness to Pay and Customer Preference about Timing of Purchase – Personal Loans

	Willingness to Pay (£pcm)		
Customer preference about timing of purchase	Prefer to buy PPI at the credit POS 60%#	Prefer to buy after credit POS 31%#	Indifferent about timing of PPI purchase 8%#
Point of Sale	-	-	-
Not at PoS but provider calls you after 7 days	- £7.30 t stat = 2.60*	£23.70 t stat = 2.63*	£7.60 t-stat = 1.83***
Not at PoS but you call provider after 24 hours	- £9.00 t stat = 2.25*	£18.10 t stat = 1.97*	£8.10 t-stat = 1.06****

*Significant at 95% confidence interval (t>1.96)

**Significant at 94% confidence interval (t>1.881)

*** Significant at 93% confidence interval (t>1.812)

**** Not significant

Percentage of respondents who said this in response to a direct question

4.14 Importance of All Elements in the PPI Policy

Main findings

Some further diagnostic questions were asked and these supported the stated preference findings. The most important factor for respondents when making their choices was the type of cover, with time of purchase significantly less important in the decision making process. There were more people that said that they would prefer buying PPI at the credit point of sale than having a delay before taking out the PPI.

Detailed Findings

Importance of Different PPI Aspects

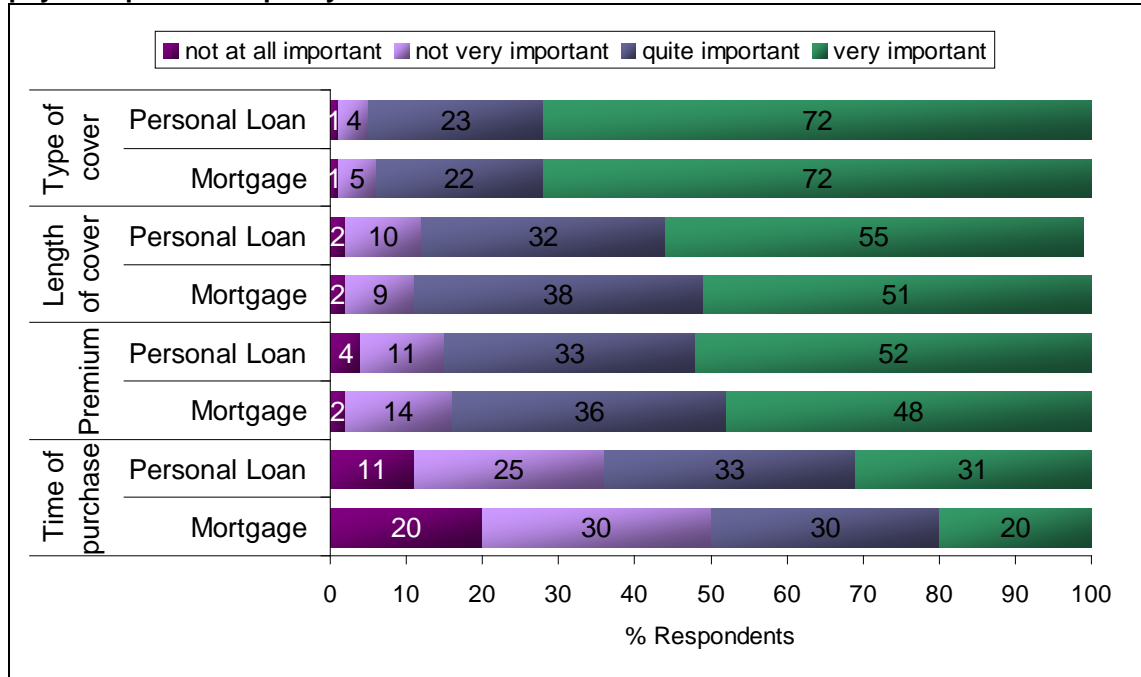
The questionnaire also included diagnostic questions so that it was possible to cross-check against the stated preference findings.

The first question asked respondents to rate the importance of each attribute – type of cover, length of cover, time of purchase and monthly premium – on a scale of 1 to 4 where 1 is not at all important, 2 is not very important, 3 is quite important and 4 is very important.

Figure 15 summarises the response to each attribute.

The most important factor to respondents when making their choices was reiterated as being the type of cover with time of purchase significantly less important in the decision making process. The order was the same as was found from the stated preference work.

Figure 15: Q18 How important was each of the following elements in taking out the payment protection policy?

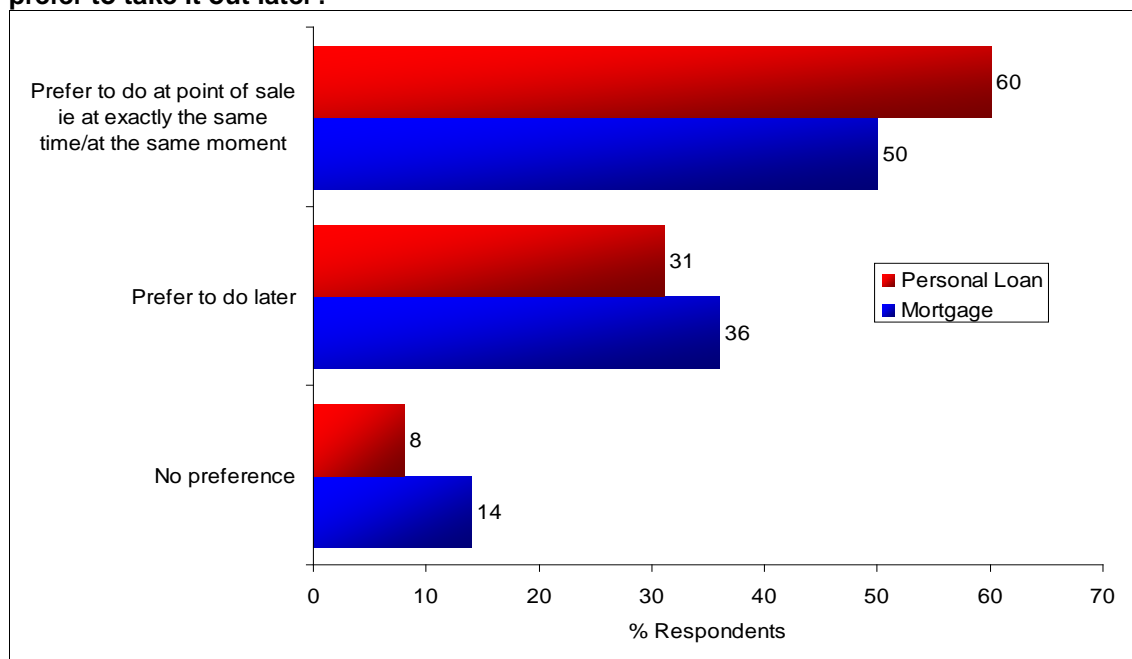


Base: All respondents

Timing of PPI Purchase

Next, all respondents were asked to indicate whether they would prefer to take out the PPI at the point of sale of the mortgage or loan or at a later date. There is a preference for taking out the PPI at the point of sale, most especially for personal loans, as shown below. However, a significant proportion – around one-third for both PLPPI and MPPI – expressed a preference for buying PPI some time after the purchase of credit.

Figure 16: Q19 Would you prefer to take out the Payment Protection Insurance at the point of sale of the loan ie at exactly the same time/at the same moment or would you prefer to take it out later?



Sample: All respondents

The characteristics of customers who preferred to buy at the credit POS and those who preferred to buy later were analysed further, as shown in Table 12 below. While there were some differences between these groups, none of these differences were statistically significant.

Table 11: Q19 Summary of preference for taking out the Payment Protection Insurance at the same time or later

Segment	Preferred to buy at PoS (Base = 446)	Preferred to buy later (Base = 270)	Everyone who expressed a preference (Base = 716)
Loan type	M = 203 (46%) PL = 243 (54%)	M = 144 (53%) PL = 126 (47%)	M = 347 (48%) PL = 369 (52%)
Loan size	≤ £20k = 251 (56%) > £20k = 187 (42%) Don't know = 8 (2%)	≤ £20k = 129 (48%) > £20k = 132 (49%) Don't know = 9 (3%)	≤ £20k = 380 (53%) > £20k = 319 (45%) Don't know = 17 (2%)
PPI amount	£1-£30 = 275 (62%) Over £30 = 171 (38%)	£1-£30 = 169 (63%) Over £30 = 101 (37%)	£1-£30 = 444 (62%) Over £30 = 272 (38%)
SEG	ABC1 = 218 (49%) C2DE = 220 (49%) Refused = 8 (2%)	ABC1 = 151 (56%) C2DE = 118 (44%) Refused = 1 (0%)	ABC1 = 369 (52%) C2DE = 338 (47%) Refused = 9 (1%)
Gender	M = 270 (61%) F = 176 (39%)	M = 173 (64%) F = 97 (36%)	M = 443 (62%) F = 273 (38%)
Income	< £30k = 237 (53%) ≥ £30k = 168 (38%) Refused = 41 (9%)	< £30k = 131 (49%) ≥ £30k = 113 (42%) Refused = 26 (9%)	< £30k = 368 (52%) ≥ £30k = 281 (39%) Refused = 67 (9%)
Age	18-44 = 231 (52%) 45+ = 214 (48%) Refused = 1 (0%)	18-44 = 120 (44%) 45+ = 150 (56%)	18-44 = 351 (49%) 45+ = 364 (51%) Refused = 1 (0%)
Employment Status	Full time = 341 (76%) Other = 105 (24%)	Full time = 197 (73%) Other = 73 (27%)	Full time = 538 (75%) Other = 178 (25%)

4.15 Advantage and Disadvantages of Buying PPI at the Credit POS

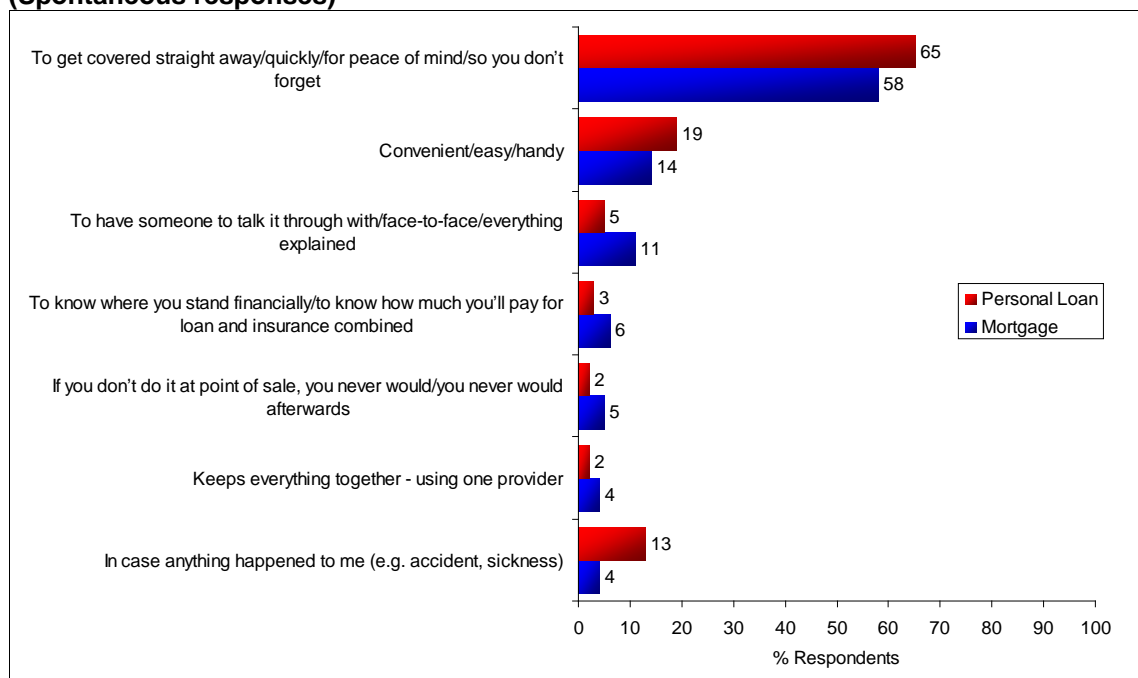
Main findings

The main reason respondents gave for preferring to buy PPI at the credit point of sale was that it offered 'peace of mind'. The two key reasons for a later PPI purchase amongst advocates of that were to enable an informed decision to be made and to have the opportunity to shop around.

Detailed Findings

All respondents who preferred to purchase PPI at the point of sale were asked to identify why this was the case. For about six in ten respondents, with a higher proportion of respondents who had taken out a personal loan (65%) than a mortgage (58%), this was to accomplish it immediately in case it was forgotten about or to offer 'peace of mind'. This was in line with the findings of the qualitative research.

Figure 17: Q20 Why do you prefer to take out Payment Protection Insurance at the point of sale ie at exactly the same time/at the same moment the loan is taken out? (Spontaneous responses)

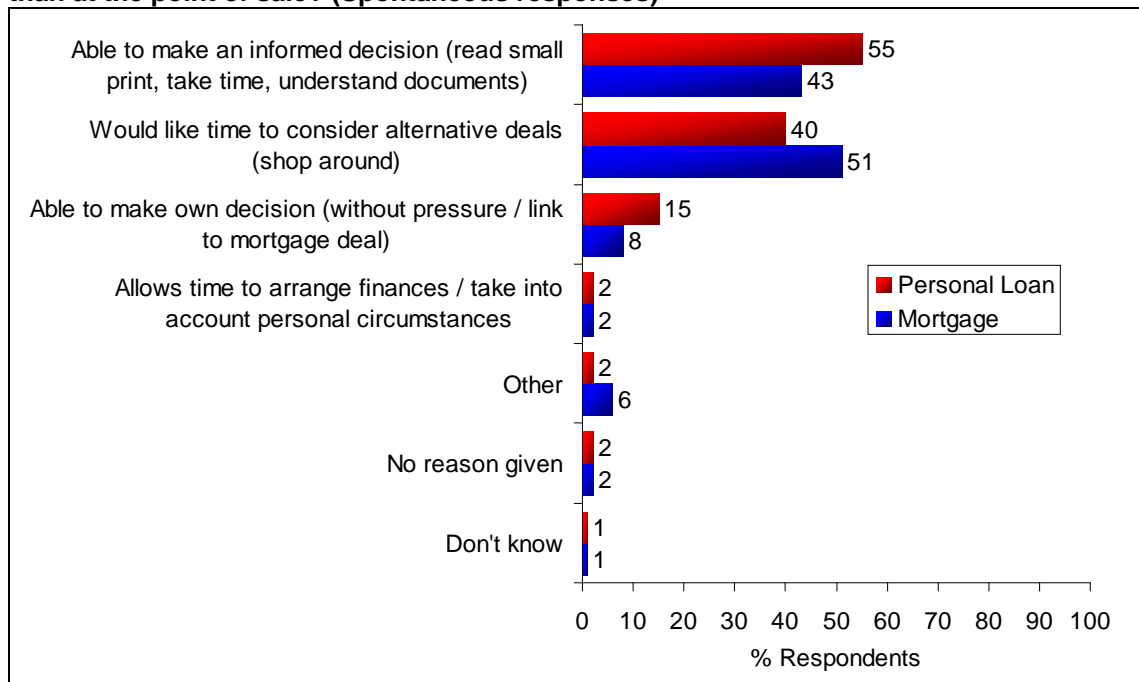


Sample = 446 respondents

All respondents who preferred to purchase PPI at a later point were asked to say why this was the case.

The two key reasons for a later PPI purchase were to enable an informed decision to be made and to have the opportunity to shop around, as shown below. Again this is in line with the findings from the qualitative research.

Figure 18: Q21 Why do you prefer to take out Payment Protection Insurance later rather than at the point of sale? (Spontaneous responses)



Sample: 270 respondents

4.16 Contact Preferences for PPI

Main findings

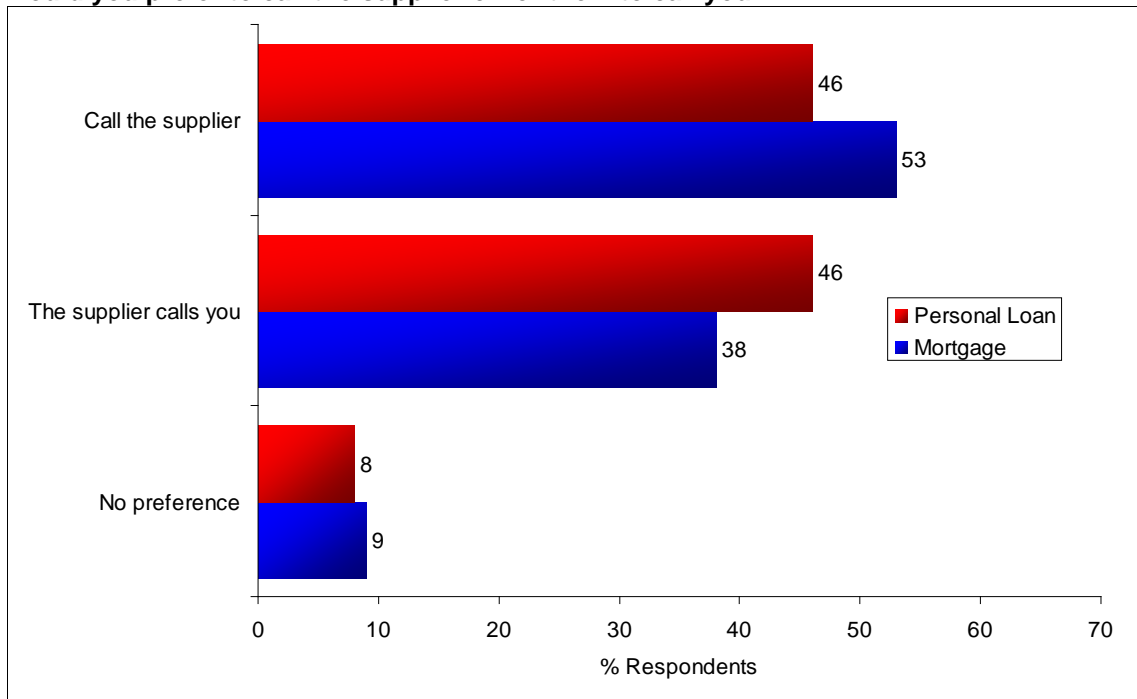
There was a clear desire from respondents for contact to be made after 7 days rather than after 24 hours. For MPPI there is a clear preference for the customer to initiate the contact to purchase PPI.

Detailed Findings

Proactive vs Reactive Contact

There was a preference among MPPI customers for the onus to be on them to call the loan provider, whilst there was no preference evident amongst PLPPI customers, as shown below.

Figure 19: Q22 If you did take out Payment Protection Insurance after the mortgage/loan would you prefer to call the supplier or for them to call you?



Sample: All respondents

There were no statistically significant differences noted in the characteristics between customers who preferred to call the supplier and those who preferred the supplier to call them. Details of this further analysis are summarised in the following table.

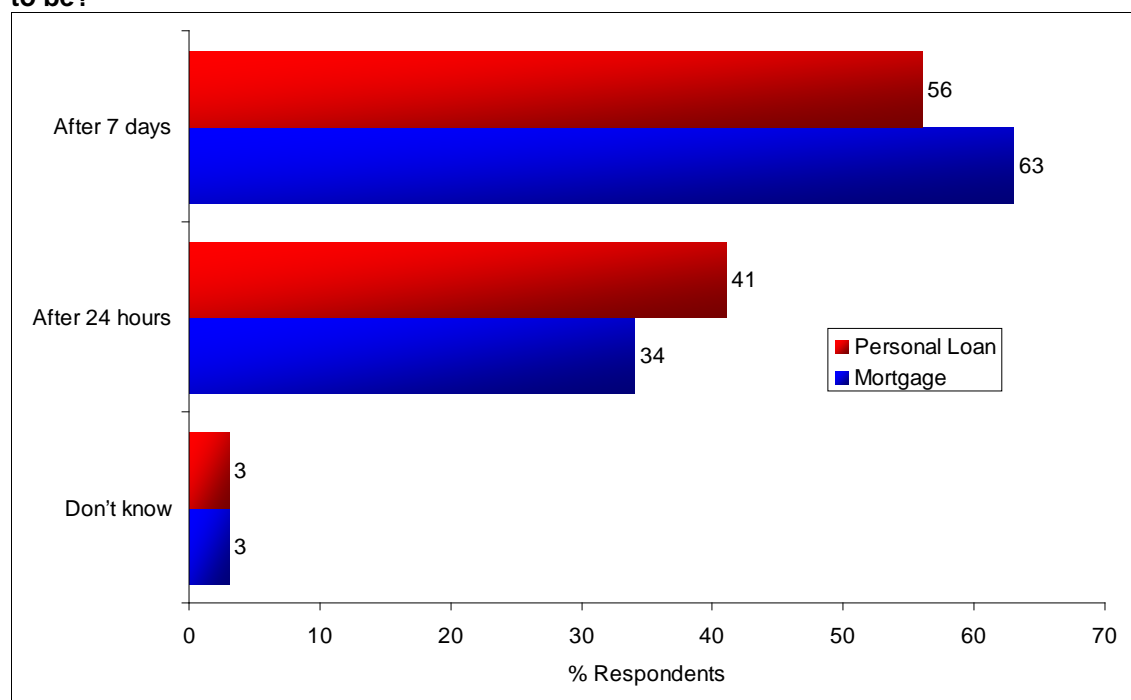
Table 12: Q22 Characteristics of those who wished to take out Payment Protection Insurance after the loan preferences

Segment	Prefer to call the supplier (Base = 396)	Prefer supplier to call you (Base = 341)	Everyone who expressed a preference (Base = 737)
Loan type	M = 212 (54%) PL = 184 (46%)	M = 154 (45%) PL = 187 (55%)	M = 366 (50%) PL = 371 (50%)
Loan size	≤£20k = 195 (49%) >£20k = 194 (49%) Don't know = 7 (2%)	≤£20k = 185 (54%) >£20k = 147 (43%) Don't know = 9 (3%)	≤£20k = 380 (52%) >£20k = 341 (46%) Don't know = 16 (2%)
PPI amount	£1-£30 = 243 (61%) Over £30 = 153 (39%)	£1-£30 = 218 (64%) Over £30 = 123 (36%)	£1-£30 = 461 (63%) Over £30 = 276 (37%)
SEG	ABC1 = 197 (50%) C2DE = 195 (49%) Refused = 4 (1%)	ABC1 = 186 (55%) C2DE = 151 (44%) Refused = 4 (1%)	ABC1 = 383 (52%) C2DE = 346 (47%) Refused = 8 (1%)
Gender	M = 245 (62%) F = 151 (38%)	M = 207 (61%) F = 134 (39%)	M = 452 (61%) F = 285 (39%)
Income	<£30k = 204 (52%) ≥£30k = 155 (39%) Refused = 37 (9%)	<£30k = 166 (49%) ≥£30k = 143 (42%) Refused = 32 (9%)	<£30k = 370 (50%) ≥£30k = 298 (40%) Refused = 69 (10%)
Age	18-44 = 201 (51%) 45+ = 195 (49%)	18-44 = 168 (49%) 45+ = 172 (50%) Refused = 1 (0%)	18-44 = 369 (50%) 45+ = 367 (50%) Refused = 1 (0%)
Employment Status	Full time = 289 (73%) Other = 107 (27%)	Full time = 264 (77%) Other = 77 (23%)	Full time = 553 (75%) Other = 184 (25%)

Length of Time for Contact after Loan Purchase

For both MPPI and PLPPI there is however a clear desire from respondents, which is statistically significant, for contact to be made after 7 days as opposed to after 24 hours, as shown below. This was in line with the stated preference results.

Figure 20: Q23 And how long after you took out the mortgage/loan would you prefer this to be?



Sample: All respondents

In analysing this further Table 14 illustrates that there are no significant differences in terms of the loan characteristics and demographics, between those who expressed a preference to buy PPI seven days later compared to everyone who expressed a preference about when they wanted to buy PPI.

Table 13: Q23 Characteristics of respondents who expressed a preference for the duration of time to pass before contact established

Segment	24 hours (Base = 304)	7 days (Base = 477)	Everyone who expressed a preference (Base=781)
Loan type	M=138 (45%) PL=166 (55%)	M=252 (53%) PL=225 (47%)	M=390 (50%) PL=391 (50%)
Loan size	< £20k=170 (56%) >£20k=127 (42%) Don't know = 7 (2%)	< £20k=232 (49%) > £20k = 233 (49%) Don't know = 12 (2%)	< £20k=402 (51%) > £20k=360 (46%) Don't know = 19 (3%)
PPI amount	£1-£30 =185 (61%) Over £30 = 119 (39%)	£1-£30 = 296 (62%) Over £30 = 181(38%)	£1-£30 = 481 (62%) Over £30 = 300 (38%)
SEG	ABC1=146 (48%) C2DE=151 (50%) Refused = 7 (2%)	ABC1=261 (55%) C2DE=213 (45%) Refused = 3 (0%)	ABC1=407 (52%) C2DE=364 (47%) Refused = 10 (1%)
Gender	M=180 (59%) F=124 (41%)	M=307 (64%) F= 170 (36%)	M=487 (62%) F= 294 (38%)
Income	< £30k=151 (50%) ≥ £30k=119 (39%) Refused = 34 (11%)	< £30k=240 (50%) ≥ £30k=197 (41%) Refused = 40 (9%)	< £30k=391 (50%) ≥ £30k=316 (40%) Refused = 74 (10%)
Age	18-44=160 (53%) 45+=143 (47%)	18-44=227 (48%) 45+=250 (52%)	18-44=387 (50%) 45+=393 (50%)
Employment Status	Full time = 223 (73%) Other =81 (27%)	Full time=364 (76%) Other=113 (24%)	Full time = 587 (75%) Other =194 (25%)

5. CONCLUSIONS

5.1 Research Conclusions

The quantitative research programme findings are generally consistent with the qualitative findings.

Amongst the four key attributes underpinning the decision making process – type of cover, claim cover period, monthly premium and timing of PPI purchase – the timing issue is, overall, of least importance.

Although many consumers readily articulate the convenience value of buying PPI at the credit point of sale, there is a market segment that argues more strongly for the convenience of a short delay.

Overall, customers prefer the longer 7 day delay rather than the 24 hour option.

MPPI consumers prefer to call the supplier than be called. PLPPI consumers do not have a preference either way.

There is a quantifiable loss of convenience for PLPPI customers wanting to buy at the credit point of sale but the preference of those who prefer to buy later is stronger.

For MPPI there is no significant quantifiable loss of convenience for those who prefer buying at credit point of sale and the preference of those who prefer to buy later is strong.

Overall there is no quantifiable net loss of convenience in either product if the credit point of sale option was taken away. Indeed, overall there is a willingness to pay for a delay.

APPENDIX A

Technical Issues of Stated Preference

Technical Issues of Stated Preference

The regression is a logit model based on the utility maximisation random utility theory. The following table shows the model that has been estimated for all PLPPI consumers using the entire sample.

Observations	2304		
Final log (L)	-1212		
D.O.F.	7		
Rho ² (0)	0.241		
Rho ² (c)	0.241		
Parameter	Coeff.	Jackknife t-stat	WTP
Point of sale ie at exactly the same time/at the same moment as the loan was agreed (<i>as now</i>)			
Not at point of sale ie at exactly the same time/at the same moment as the loan was agreed but you call the provider after 24 hours	0.06	0.3	n/s
Not at point of sale ie exactly the same time /at the same moment as the loan was agreed but the provider calls you after 7 days	0.17	2.1	3.70
Unemployment			
Unemployment, accident and sickness	1.11	10.3	23.80
Unemployment, accident and sickness and life/critical illness	1.35	16.4	29.00
Up to 6 months from the date of the claim			
Up to 12 months from the date of the claim	0.39	3.6	8.30
Up to 24 months from the date of the claim	0.94	12.7	20.20
Log(Cost)	-0.93	6.0	

Observations: shows the number of observations that are used to estimate the model. This is equal to the number of respondents multiplied by the number observations given by each respondent.

Final log(L): This is the loglikelihood that is used in estimating the Rho².

DOF: Degrees of freedom represents the number of parameters estimated in the model.

Rho²: This reports the goodness of fit of the model. In logit models a value of 0.1 and above represents a good model.

Coeff: is the estimate that represents the importance of the parameter.

Jackknife t-stat: These provide the most robust t-stats and are estimated taking into account the fact that each respondent has given multiple responses and that there might exist some correlations across these responses. A value of 1.96 and above indicates that the parameter estimate is statistically significantly different from zero at the 95% confidence level.

WtP: The willingness to pay values with a logcost formulation are calculated using the ratio between the parameter estimate of the chosen parameter coefficient and the

parameter estimate of the cost. This ratio then needs to be multiplied by the cost amount present in the chosen alternative in a given choice set. This is done for all the chosen alternatives' costs in the data and then the average is taken as the average WTP. It is not uncommon to report the WTP as average or mode or median of the values.

The estimated utility expression from the overall model above is,

$$U(\text{Loan}) = 0.17 * (7\text{days}) + 1.11 * (\text{sickness}) + 1.35 * (\text{life}) + 0.39 * (12 \text{ months}) \\ + 0.94 * (24\text{months}) - 0.93 * (\text{logcost})$$

APPENDIX B

Topic Guide for Focus Groups and Depth Interviews

Moderator:

Group:

Date:

Time:

Venue:

Good evening... My name is ... and I work for an independent market research company called Accent. We are conducting research for The Competition Commission looking at issues to do with payment protection insurance. We will typically refer to this as PPI. Thank you very much for agreeing to help us with this research and for being here this evening.

The research is being conducted in accordance with the Code of Conduct of the Market Research Society (MRS) and also with the Data Protection Act, with whom Accent is registered. This means that everything you say here this evening is confidential and will not be attributed to you personally.

The discussion is also being tape-recorded. This is standard market research procedure and is to ensure accuracy – so I do not have to try to remember what you have said – and for analysis purposes only. The recordings will not be passed to any third party not associated with the research project, and I assure you that none of your comments will be attributed to you by name.

The discussion will last around 90 minutes.

Can I stress that we are looking for your views. There are no right or wrong answers. I hope you will all contribute to the discussion.

Participants introduce themselves – ‘ice breaker’	3 mins
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Could each of you talk to the person next to you and introduce them to the group. I suggest that you find out their name, what their occupation is and what their household comprises.

Context of PPI purchase	10 mins (13)
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I hope that you had a chance to do the ‘homework’ that we set you.

If you did, it would be very helpful if you could tell us:

- Whether Payment Protection Insurance (PPI) taken out at same time as mortgage/loan or at some other time? Why?
- Whether it relates to size/length of time of the mortgage/loan?
- Size and frequency of loan/mortgage repayment?
- Size and frequency of PPI payments?
- Expected length of PPI cover (eg for duration of mortgage/loan or some other time). Why?
- What were terms of cancellation if any?

- Main features of the payment protection insurance product taken out? For example, what are main risks covered (eg accident/sickness/unemployment/life)? Which product features – if any - particularly important at time of taking out?
- What are circumstances when can make a claim? And what would be covered by a successful claim?
- Experience of taking out PPI before or was this first time? If before, what PPI products taken out before?

PPI and credit purchase process	15 mins (28)
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You are all here this evening because you have purchased Personal Protection Insurance for a mortgage/loan in the last year or so. The aim of this research is to understand what you felt about the purchase of your PPI and to see what things were important to you in buying the PPI.

Moderator background - need to be prepared for possibility that one or more members of focus group will have taken out stand-alone PPI. May also have been other experiences for MPPI – eg referral to a specialist insurance provider.

- Before applied for mortgage/loan what was going through mind?
- How important were each of these specific thoughts?
- Any evidence that respondents talked to others before taking out the mortgage/loan? If so, who? And was anyone also there at time of ‘purchase’? If so, who?
- How mortgage/loan application carried out - by phone, internet, by post or in person?
- What information asked to provide at time of application?
- When application process completed, was mortgage/loan approved immediately or was there a delay? How long before/how were you informed that your application had been successful
- *Note whether PPI is mentioned as part of application process. IF NOT – Did mortgage/loan application process also involve a payment protection insurance (PPI) application?*
- Thinking more about the PPI purchase in more detail, what were main reasons for taking it out?

PROBE on concerns about health, employment status, always take out PPI, wanted to get the sales person off the phone, perception that would help with the loan, positive experiences in the past)

- At what stage during the purchase of mortgage/loan application was PPI first mentioned? And who actually mentioned it first (respondents or sales people)?
- Probe attitude/approach of sales person in relation to PPI? (eg amount of pressure perceived by respondent)
- When started out on loan application process were they expecting to take out PPI? If no – what changed mind?
- How much time spent thinking about the PPI purchase?
- Awareness of any alternative providers of PPI products? If so, what sort of products/providers aware of?
- Evidence of shopping around? Why / why not
- **MPPI ONLY – How many times spoke to mortgage advisor before taking out your mortgage – what were the main stages?**

And what point in process did mortgage adviser suggest a PPI policy (eg initial application, when making an offer in principle, when finalising the mortgage offer, some other times)?

And at which point signed up for the PPI?

- If buying PPI again is there anything would do differently? If yes, what?
- What would be key considerations in buying PPI? (*Use both respondent suggestions and pre-prepared suggestions, if not mentioned - use flipchart to document considerations*); included here would be how much weight they give to:

purchase channel (eg face-to-face, phone, Internet)

length of time given to customer to decide on whether to take out PPI (say, instant, 1 hour, 1 day, a week)

length of time for provider to decide on whether to provide PPI (say, instant, 1 hour, 1 day, a week)

time taken to go through sales process

the excess period on the policy ie whether you are covered back to day one of illness or unemployment

whether you have to wait a period of time (eg a month) before the cover kicks in; how long you need to wait until you can make a claim

cost (eg monthly PPI premium)

ability to buy at same time of loan vs buying at a later date

length of effective cover provided by the PPI (eg 6, 12 or 24 months for A, S or U)

events against which the insurance offers protection (Life, critical illness, accident and sickness, unemployment, hospitalisation, etc)

exclusions (eg back pain, stress)

providers receiving various 'awards' such as Which, What Mortgage, Personal Finance Awards,

independent star rating system eg Defaqto

having lots of choice and the opportunity to make comparisons between providers & information about where to find out about alternatives

reputation of firm for quality of claims handling (eg prompt, good customer service)

one Stop Shop for purchasing PPI with loan or mortgage

one Stop Shop for purchasing PPI with other insurance

I would now like you to prioritise these and say what are the most important factors and which are the least important in such a decision? We would like to do this by creating four piles from top priority to least priority

1. Greatest need & top priority (most important)

2. A major need but a less urgent priority

3. A minor need, not an urgent priority

4. No need, not a priority (least important)

Advantages & disadvantages of sale of PPI at credit POS**15 mins (43)**

At the moment you can take out PPI at exactly the same time as you finalise your loan/mortgage. There is a suggestion that this might change so that there would need to be 24 hours between the finalisation of the loan/mortgage and taking out PPI. We want to look at what you think about this.

- Advantages and disadvantages of being able to buy PPI at the same time as taking out mortgage/loan? Explore the following if not already mentioned:

importance of taking out PPI from the same company as loan/mortgage
 how varies by purchase channel / preferences for using particular channels (eg talking to same person)
 value of their time
 procrastination/ will forget if you don't buy it there and then
 probably would not have bought it if thought more about it
 possible lower price from shopping around (relate to how much they pay for PPI compared with the mortgage/loan)
 would have felt less or more pressured if did not buy at credit POS
 would like more time to think about the purchase before making a decision (eg look at the small print of the policy)
 peace of mind, wanted cover from the moment finished the mortgage/loan application process
 thought might have affected whether allowed the credit or not.

- Current satisfaction with decision to take out PPI? And with provider?
- And if you didn't buy at POS was that because you no longer wanted PPI or because you didn't want the loan/mortgage?

Attitudes towards convenience

15 mins (88)

- Overall how convenient was PPI purchase process?
 - What could have made the process more or less convenient? *Probe different angles to convenience/side effects such as:*
 timing of the purchase ie buying it on the spot or being able to buy later
 one Stop Shop (loan/mortgage and PPI) vs alternatives
 purchasing from same provider vs checking out the competition
 purchasing from same person at same time as loan/mortgage vs same person at a later time vs different person at later time
 - views on reactive and proactive dimensions ie provider calling you or you contacting the provider in your own later time either by internet or phone
 going through a second sales call vs doing it online; how varies by length of time it takes to do eg 5/10 vs 15/20 mins); bringing forward prior information
 - What feel about buying PPI at a later date – 24, 48 hours, a week or longer after the credit sale?
 - And how important is convenience in being able to purchase PPI?
- Note to moderator: for mortgages – make clear that this is in the context as being after the receipt of a firm mortgage offer.*
- In terms of timescales it would just be helpful if you could tell me how you think a day later should be defined. For example, imagine you took out a loan on 2pm on a Wednesday afternoon, were given information about PPI and were invited to call back / log onto a website any time after 2pm on the following day (Thursday) if you wanted to take the policy out.
 - And what about taking out a loan at 12pm on a Friday? What would you consider to be a day in this instance?
 - What about the idea of them providing a phone number/website address to get in touch with them to complete

For those who would not be happy to go through a 'follow up' process explore:

- Whether they would not have actually purchased the PPI; what think the implications of this action might be?
- In what circumstances might consider buying your PPI at a later date?
- How would any price variations influence your decision, especially if it was cheaper than the price you paid? What difference in price would make you happy to buy later? How much more would you be willing to pay to buy at POS rather than wait 24 hours?

Wrap and Close	5 mins (93)
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- In summary then, if we refer back to the list of priorities, what would say are the most important benefits and disadvantages of separating the two purchases in terms of

fairness to consumers

convenience

Thank you very much.

Moderator:

Date:

Time:

Venue:

Good morning/afternoon... My name is ... and I work for an independent market research company called Accent. We are conducting research for The Competition Commission looking at issues to do with payment protection insurance. We will typically refer to this as PPI. Thank you very much for agreeing to help us with this research.

The research is being conducted in accordance with the Code of Conduct of the Market Research Society (MRS) and also with the Data Protection Act, with whom Accent is registered. This means that everything you say is confidential and will not be attributed to you personally.

The discussion is also being tape-recorded. This is standard market research procedure and is to ensure accuracy – so I do not have to try to remember what you have said – and for analysis purposes only. The recordings will not be passed to any third party not associated with the research project, and I assure you that none of your comments will be attributed to you by name.

The discussion will last around 30-40 minutes.

Can I stress that we are looking for your views. There are no right or wrong answers.

Respondent introduces him/herself	1 mins
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Background questions about job and household composition.

Context of PPI purchase	4 mins (5)
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Just to get us going it would be really helpful if you could confirm what PPI you have taken out; and what does that cover you for?

And could you also tell me the following...

- Whether Payment Protection Insurance (PPI) taken out at same time as mortgage/loan or at some other time? Why?
- Size and frequency of loan/mortgage repayment?
- Size and frequency of PPI payments?

Likes & dislikes PPI purchase at credit POS	5 mins (10)
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Just in terms of taking out PPI at the same time as the loan....

- What do you think are the advantages of taking out PPI at the same time? Why?
- And what do you think are the disadvantages of taking it out at the same time? Why do you say that?

Explore the following if not already mentioned:

Possible likes

comforted by taking out PPI from the same company as loan/mortgage

convenience/easy to buy there and then

felt it would help to get the mortgage/loan

peace of mind, wanted cover from the moment finished the mortgage/loan application process

not having to go through a second sales process

Possible dislikes

might not get as good a price

felt too pressured to buy by the salesperson

not enough time to think about the purchase before making a decision (eg look at the small print of the policy)

Attitudes towards convenience	18 mins (28)
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Responses to this section will shape the wording of the questionnaire.

- If bought at same time, what would you have done if you were not able to buy PPI at the same time as the loan?
- And to what extent would that have caused you an inconvenience, if any? Why do you say that?
- Say you had to wait at least 24 hours after the credit sale before buying PPI from the same provider. How much of an inconvenience would that be? Why/why not?
- IF AN INCONVENIENCE – what particular things make it an inconvenience if you had to buy 24 hours later? Explore issues such as having to ring back/be around for them to call; answering whole set of questions again
- For each aspect mentioned above ask why it represents a loss of convenience.

- And despite causing you a loss of convenience, how willing or likely would you be to buy at the same price but 24 hours later? If not willing, why not?
- And how willing or likely would you be to buy PPI 24 hours later but at a lower price? Why/why not?
- What difference in price would make you willing to buy later? For example, if you're paying £30 a month (£360 a year) what would you be willing to pay to buy PPI at a later date?

Proposition Testing (*italics represent the differences*)

- Say you had a situation where you had to wait 24 hours before buying PPI, but you had to get in touch with the provider where you could buy the PPI vs what if you had to wait **7 days** before buying PPI, *but the provider called you*. Which would you prefer? Why?
- Say you had a situation where after 24 hours you got in touch with a different provider where you could buy the PPI for £30 a month vs what if you had to wait **7 days** before buying PPI, *but the same provider called you for the original price of £40 a month*. Which would you prefer? Why?
- And how much less would you be prepared to pay a month for buying PPI at a later date? £5, £10, £15, £20?

Customer Priorities	15 (43)
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- Are there any other aspects of the PPI purchase that might be affected by the 24 hour delay? What are those factors and why would they be affected?

Then prompt with different features that could be important

- Monthly premium
- Extent of cover (eg unemployment, sickness, accident etc)
- Time need to hold insurance before claim can be made
- One stop shop for PPI purchase/loan or mortgage
- Independent star rating of provider

- Whether one can purchase PPI at exactly same time as obtaining loan/mortgage or have to wait 24 hours
- Time taken to go through sales process
- The excess period on the policy (ie whether you are covered back to day one of illness or unemployment) assuming insurance held for minimum time period before potential claim start
- Length of effective cover provided by the PPI (eg unemployed for 12 months/18 months)
- Information about where to find out about alternatives
- Reputation of firm for quality of claims handling
- And how important are these issues to you? In what way are they important?

And of these which would you say are of:

- High importance
- Middle importance
- Low importance

Why?

Wrap and Close	3 mins (45)
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Okay. That's about it.

- Just to wrap up then, how important is convenience in being able to purchase PPI? Why?

Thank you very much.

APPENDIX C

Quantitative Questionnaire

Q4. Firstly, please can you tell me how much your personal loan/mortgage is for? *The software will take the answer from Q2 and insert the appropriate Payment Protection Insurance type into the text here. This will also happen throughout the survey but from now we will just refer to loan only.*

Respondent answer

1. Amount £ (*database amount also 'captured' for comparison*)
2. No / Don't know **USE DATABASE AMOUNT**

If the respondent provides an answer which is calculated by the software shows a difference of more than 20% from the database amount we will then discuss with the respondent the amount that they have provided and compare it with them to the amount on the database

WHERE DIFFERENCE GREATER THAN 20% INTERVIEWER READ OUT Our records show that the size of your loan is (*database amount*) compared with the amount that you gave of £.....

On reflection, which is the right amount (*respondent to decide*)?

1. respondent answer
2. database record

Q5. And how much payment protection insurance (to the nearest pound) do you pay each month to cover your loan?

Respondent answer

1. Amount £ (*database amount also 'captured' for comparison*)
2. No / Don't know **USE DATABASE AMOUNT**

If the respondent provides an answer which is calculated by the software shows a difference of more than 20% from the database amount we will then discuss with the respondent the amount that they have provided and compare it with them to the amount on the database

WHERE DIFFERENCE GREATER THAN 20% INTERVIEWER READ OUT Our records show that the size of your monthly payment protection is (*database amount*) compared with the amount that you gave of £.....

On reflection, which is closer to the amount you pay each month? (*respondent to decide*)?

1. respondent answer
2. database record

INTERVIEWER – WE WOULD LIKE TO GIVE PRIMARY EMPHASIS TO RESPONDENT ANSWER AS IT IS PREFERABLE THAT PEOPLE REMEMBER WHAT THEY ARE TALKING ABOUT AND UNLESS THE RESPONDENT REALLY CANNOT RECALL THE DETAILS PROPERLY PLEASE USE THEIR KNOWLEDGE RATHER THAN TAKE THE DATABASE VALUE.

We are now going to use this (£...) (*whichever is taken forward from the different response paths*) monthly amount.

Programme will take the monthly amount and also convert into an annual sum.

As you may know, the monthly costs that you pay are equivalent to an annual cost for Payment Protection Insurance of £.....

Q6. How long have you had the policy for? **WRITE IN ANSWER IN YEARS OR MONTHS**

Q7. Who is named on the policy? **DO NOT READ OUT**

1. You only
2. Partner only
3. You and partner
4. Other (please specify) – **THANKS AND CLOSE**

Q8. Have you ever had to make a claim?

1. Yes
2. No

If yes:

When was that claim?

WRITE IN YEAR OF CLAIM

How long did you claim for?

WRITE IN MONTHS

Thank you for answering these initial questions.

As part of the further stage of this interview there is some material we would like you to look at. We can send the material through by email now so that we continue the interview now or we can send the email now and ring you back at your convenience. The rest of the questionnaire will take about 10-15 minutes to complete.

INTERVIEWER - ONLY IF ALL OTHER OPTIONS HAVE BEEN TRIED: Alternatively, I can send the material through the post to you and we will ring you back in a couple of day's time.

Would you be able to spare the time to do this either now or at a later date? None of your comments will be attributed to you personally. Your answers will be kept completely confidential. **INTERVIEWER PLEASE CODE WHICH APPROACH YOU ARE USING FOR THIS RESPONDENT.**

1. Yes send show cards by post and make appointment
2. Yes send show cards by email and continue now
3. Yes send show cards by email and make appointment

Code 1 - If by post and appointment

Postal address:

Appointment date:

Appointment time:

Code 3 - If email and appointment

Email address:

Appointment date:

Appointment time:

Code 2 – record email address

FOR CODE 2: WAIT UNTIL RESPONDENT RECEIVES EMAIL. IF THEY DO NOT RECEIVE IT ASK THEM TO CLICK ON SEND/RECEIVE. IF THEY STILL DO NOT RECEIVE IT CHECK THE EMAIL ADDRESS ON THE PREVIOUS SCREEN. PLEASE NOTE THAT CERTAIN VIRUS SOFTWARES CAN BLOCK DELIVERY FOR UP TO 2 MINUTES UNLESS RESPONDENT EXITS.

Main Questionnaire

INTERVIEWER Whether continuing now or having made an appointment to complete the interview at a later time please say.... thank you for making time to complete the survey. Just as a reminder we are/were talking about your payment protection policy on your loan. The remainder of the interview will take about 10-15 minutes to complete. Can I just check the code that you have at the top of the material that I have sent you.

Q9. I would like to start by asking what circumstances your Payment Protection Insurance policy covers you against? **MULTICODE. DO NOT READ OUT**

1. unemployment/redundancy **GO TO Q10**
2. accident & sickness **GO TO Q10**
3. life
4. critical illness
5. don't know
6. other (please specify)

CODES 3 TO 6 GO TO Q11

INTERVIEWER – ALL POLICIES SHOULD COVER EITHER UNEMPLOYMENT OR UNEMPLOYMENT ACCIDENT AND SICKNESS. IF RESPONDENT ANSWERS ONLY LIFE OR CRITICAL ILLNESS PROBE WITH 'ANYTHING ELSE'.

Q10. How long does this insurance cover you for in the event of an unemployment, accident or sickness claim? **DO NOT READ OUT**

1. 6 months
2. 12 months
3. 18 months
4. 24 months
- 5.. other (please specify)
6. don't know

Q11. When you took out your payment protection insurance, how did you buy it? **MULTICODE. READ OUT**

1. Telephone
2. Face to face
3. Internet
4. Post
5. Other (please specify)

Q12. And generally, by which method do you prefer to buy financial products such as insurance? **DO NOT READ OUT**

1. phone **GO TO Q14**
2. internet **GO TO Q13**
3. face to face **GO TO Q14**
4. post **GO TO Q14**
5. other (please specify) **GO TO Q14**

Q13. You said you that you generally liked to use the internet to buy financial products such as insurance. Would you typically complete your purchase on line or would you search on line and follow up with a conversation? **READ OUT.**

1. Complete online
2. Face to face follow up
3. Telephone follow up

Q14. And did you take out your payment protection insurance that we are discussing at the point of sale ie at exactly the same time/at the same moment as your loan was agreed?

1. yes

2. no **GO TO Q16**

Q15. You say you took out the Payment Protection Insurance at the point of sale ie at exactly the same time/at the same moment as the loan was agreed., Was there a particular reason you did this? **WRITE IN**

Q16. Are there any advantages of taking payment protection insurance at the point of sale ie at exactly the same time/at the same moment as the loan was agreed? **WRITE IN**

Q17. Are there any disadvantages of taking payment protection insurance at the at the point of sale ie at exactly the same time/at the same moment as the loan was agreed? **WRITE IN**

SECTION 2: STATED PREFERENCE

INTERVIEWER: BEFORE DISCUSSING THE CHOICE EXERCISE PLEASE READ THE FOLLOWING.

In the future, your lender/mortgage intermediary may not be allowed to sell Payment Protection Insurance at the point of sale ie exactly the same time/at the same moment as you take out a loan with them or until they have confirmed in writing that you will get the loan.

Instead, they will provide you with some information about your Payment Protection Insurance product and where you can find out more.

Once you have received this information and have had written confirmation from your lender that you will get the loan:

- After 24 hours, if you decide you want to take out the Payment Protection Insurance policy from your lender/mortgage provider you will be able to do so by contacting the provider over the phone or online. **INTERVIEWER NOTE. IF ASKED "CAN I GO BACK INTO THE BRANCH AFTER 24 HOURS TO BUY PPI". ANSWER IS – INITIAL CUSTOMER CONTACT NEEDS TO BE MADE BY PHONE OR ONLINE. HAVING DONE THAT, YOU MAY BE ABLE TO CONCLUDE THE TRANSACTION IN THE BRANCH, THOUGH THIS WILL DEPEND ON THE LENDER.**
- Alternatively the provider can call you back after 7 days to discuss your purchase of Payment Protection Insurance.

If you want to take out Payment Protection Insurance from another provider you can do this at any time.

You are now going to be presented with a series of options for buying payment protection insurance. For each pair please tell me which option you prefer.

The stated preference exercises will be made up of:

	Definition	Level 1	Level 2	Level 3
Time of purchase	When the Payment Protection Insurance is bought	Point of sale ie at exactly the same time /at the same moment as the loan was agreed (<i>as now</i>)	Not at point of sale ie not at exactly the same time /at the same moment as the loan was agreed but you call the provider after 24 hours	Not at point of sale ie not at exactly the same time /at the same moment as the loan was agreed but the provider calls you after 7 days
Type of Cover	What the Payment Protection Insurance covers you for	Unemployment	Unemployment, accident and sickness	Unemployment, accident and sickness and life/critical illness*
Period of time covered for	How much time you are covered for in the event of a Accident sickness or unemployment claim	Up to 6 months from the date of the claim	Up to 12 months from the date of the claim	Up to 24 months from the date of the claim
Monthly/ annual premium	How much you are paying every month and year	Existing plus 15%; plus 20%; plus 25%	Existing	Existing minus 15%; minus 20%; minus 25%
		<i>We will randomise the amounts so that we give each person different levels – this broadens the amount of information that we collect. The premiums will be customised, based on the amount they provided earlier, to give monthly and annual premiums.</i>		

*depending on whether it's MPPI or PLPPI

Q18. I am now going to read you out four statements. Please can you tell me on a scale of 1 to 4, where 1 is not at all important, 2 is not very important, 3 is quite important and 4 is very important, how important each of the following elements were in taking out your payment protection policy? **READ OUT**

1. The type of cover ie unemployment/sickness/accident
2. The length of cover ie 6, 12, 24 months
3. Time of the purchase ie at the point of sale of (at exactly the same time/at the same moment) as the loan/mortgage or at a later date.
4. Monthly/annual premium

Q19. We've been talking about taking out Payment Protection Insurance at point of sale of, ie at exactly the same time/at the same moment as the loan/mortgage. Would you prefer to take the Payment Protection Insurance at the point of sale of the loan, ie at exactly the same time/at the same moment, or would you prefer to take it out later. **READ OUT**

1. Prefer to do at point of sale ie at exactly the same time/at the same moment **GO TO Q20**
2. Prefer to do later **GO TO Q21**
3. No preference **GO TO Q22**

Q20. Why do you prefer to take Payment Protection Insurance at the point of sale of ie at exactly the same time/at the same moment the loan? **WRITE IN**

GO TO Q22

Q21. Why do you prefer to take Payment Protection Insurance later? **WRITE IN**

Q22. If you did take Payment Protection Insurance out after the loan would you prefer to call the supplier or for them to call you? **DO NOT READ OUT**

1. Call the supplier
2. The supplier calls you
3. No preference

Q23. And how long after you took out the loan would you prefer this to be? **READ OUT**

1. after 24 hours
2. after 7 days
3. Don't know **DO NOT READ**

SECTION 3: DEMOGRAPHICS

Q24. Do not ask, note gender:

1. male
2. female

Q25. I would now like to ask you some questions about you and your household. These will be kept confidential and will not be used to identify you. Firstly, what is the job title of the chief wage earner of your household or, if you are the chief wage earner, your own job title?

If retired, probe whether state or private pension. If state only code as 'E'. If private ask what their occupation was prior to retirement. Please probe fully.

Follow up questions for employed/retired but with private pension:

If self-employed: manual/non-manual, skilled/qualified or not, number of employees

If manager/exec: type of industry, number of employees and management status

If rank/grade (civil servant, nursing, military, navy, police etc.) Record specifically

If pensioners: ask if state (grade "E") or private pension (grade on previous occupation)

If unemployed: if more than 6 months (grade "E"), if less (grade on previous occupation)

INTERVIEWER: CODE BELOW

1. A
2. B
3. C1
4. C2
5. D
6. E

Q26. Which of these statements best describes your current employment status?

1. Self-employed
2. Employed full-time (30+ hrs)
3. Employed part-time (up to 30 hrs)
4. Student
5. Unemployed – seeking work
6. Unemployed – other
7. Looking after the home/children full-time
8. Retired
9. Unable to work due to sickness or disability
10. Other (please specify)

.....

Q27. Can I just check how old are you? **WRITE IN AGE IN YEARS**

INTERVIEWER – IF RESPONDENT REFUSES TO PROVIDE THEIR ACTUAL AGE PLEASE USE THE FOLLOWING AGE BANDS BY ASKING ...Which of the following age groups do you fall?

1. 18-29
2. 30-44
3. 45-64
4. 65+

Q28. How many adults 16 or over live in this household?

Q29. How many children between 5 and 15 live in this household?

Q30. To help us analyse your responses can you tell me which of the following best describes your total annual household income, before tax and other deductions?

	Per Week	Per Year
A	Up to £86	Under £4,500
B	£87-£125	£4,500-£6,499
C	£126-£144	£6,500 - £7,499
D	£145-£182	£7,500 - £9,499
E	£183-£221	£9,500-£11,499
F	£222-£259	£11,500-£13,499
G	£260-£298	£13,500-£15,499
H	£299-£336	£15,500 - £17,499
I	£337-£480	£17,500 - £24,999
J	£481-£576	£25,000 - £29,999
K	£577-£769	£30,000 - £39,999
L	£770-£961	£40,000 - £49,999
M	£962-£1,441	£50,000 - £74,999
N	£1,442-	£75,000 - £99,999
O	£1,923 or	£100,000 +

SECTION 4: DIAGNOSTICS

Q31. Irrespective of whether or not the respondent answered all of the stated preference questions, in your judgement did the respondent understand what he/she was being asked to do in the questions?

1. Did not understand at all
2. Did not understand very much
3. Understood a little
4. Understood a great deal
5. Understood completely

Q32. Which of the following best describes the amount of thought the respondent put into making their choices?

1. Gave the questions very careful consideration
2. Gave the questions careful consideration
3. Gave the questions some consideration
4. Gave the questions little consideration
5. Gave the questions no consideration

Q33. Which of the following best describes the degree of fatigue shown by the respondent?

1. Easily maintained concentration throughout the survey
2. Maintained concentration with some effort throughout the survey
3. Maintained concentration with a deal of effort throughout the survey
4. Lessened concentration in the later stages
5. Lost concentration in the later stages

Thank you for your help in this research

This research was conducted under the terms of the MRS code of conduct and is completely confidential. If you would like to confirm my credentials or those of Accent please call the MRS free on 0500 396999.

If you have any more comments to make on Payment Protection Insurance you can contact the Competition Commission – would you like their email address

Yes – ppi@cc.gsi.gov.uk
No - continue

Please can I take a note of your name and where we can contact you for quality control purposes?

Respondent name:

Telephone: home:..... work:.....

Thank you

I confirm that this interview was conducted under the terms of the MRS code of conduct and is completely confidential

Interviewer's signature:

Time Interview completed:

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