

Competition Commission
Victoria House
Southampton Row
London
WC1B 4AD

27 November 2007

Non-Confidential version

Dear Sir's

**Capital One Bank (Europe) plc's ("COBEP's") response to the Competition Commission's
Emerging Thinking on the Payment Protection Insurance Investigation**

This letter sets out COBEP's position on issues arising from the emerging thinking published by the Competition Commission (the "Commission") in relation to the Commission's market investigation into payment protection insurance ("PPI" and the "Inquiry").

COBEP believes this letter contains confidential material, disclosure of which would significantly harm COBEP's business as it specifically references COBEP's business model. As a result, COBEP requests that the Commission does not disclose the contents of sections 1 and 2.2. If the Commission determines that it is minded to disclose sections 1 and 2.2, COBEP requests that the Commission revert to COBEP before doing so.

This letter has two objectives:

- ***COBEP's response to the emerging thinking*** - The first objective is to inform the Commission of COBEP's response to the emerging thinking. COBEP wants to highlight the key issues that COBEP, by nature of its business model as a mono-line credit card provider, is concerned about to ensure that the Commission gives sufficient consideration to these issues during the rest of the Inquiry.
- ***Clarification of any potential factual inaccuracies*** - The second objective is to clarify any areas where COBEP believes the emerging thinking may contain factual inaccuracies

1. Redacted - Confidential

2. Clarification and comments on the emerging thinking

2.1 Point 82: COBEP believes that when discussing profit share, that it is not made clear that profit share agreements (at least with the Capital One – Axa agreement) are two way. COBEP would like to highlight that if claims are higher than expected, COBEP would see a reduction in future profit share and commission levels and that therefore these commission rates are subject to changes in market conditions. (This has been covered in more detail in previous responses)

2.2 Redacted - Confidential.

2.3 Point 136: It is stated that it is typically the distributor who designs the policy rather than the underwriter. While, in the experience of COBEP this is true, it should be noted

that the underwriter still chooses whether it will underwrite elements of the policy and therefore the choice in product design is not solely determined by the distributor.

We hope the above comments are of use in clarifying COBEP's position.

If you have any further questions please feel free to contact me regarding anything discussed in this letter.

Yours sincerely

John Macris
Sr. Director, UK Card
Capital One Bank (Europe) plc