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Ms P Short  
Inquiry Secretary  
Competition Commission  
Victoria House  
South Row  
London  
WC1B 4AD

27 November 2007

Dear Ms Short,

**MARKET INVESTIGATION: THE SUPPLY OF PAYMENT PROTECTION INSURANCE SERVICES IN THE UNITED KINGDOM**

Thank you for your letter of 5 November together with the Emerging Thinking document. We have now had the opportunity to review the papers and have a number of observations which we hope will be of assistance.

First, we note and support many of the Commission's preliminary findings, in particular the concerns expressed about customer choice at point of sale. Clearly the consumer needs a choice of products at point of sale, the FSA would actively support the market in providing choice and the market itself will undoubtedly recognise the value in doing so. We note the Commission's comments in the Downstream Market Definition paper in this connection. We would urge the Commission to continue looking at those distribution models which offer that product choice to consumers.

Aside from the issue of choice at point of sale, we believe that the Commission might also focus attention on the extent to which consumers look for a range of cover to be available in the market. Research published on the CML website demonstrates that in the years 1999 to 2006, combined ASU cover was bought by between 75% and 88% of persons buying MPPI over that period. This compares with the figures for persons buying accident & sickness or unemployment cover on its own which were as low as 4% and 6% respectively at some time during that same period.

The only other comment that we would make relates to the findings of the Commission in Table 12 on page 20 and Paragraph 82 on page 29 of the Emerging Thinking paper. The figures quoted do not seem to correlate with our experience. We would typically expect penetration rates for MPPI to be much lower than those quoted in Table 12 and data published by the CML on its website shows MPPI penetration rates during the period 1999 to 2006 to lie between 22% and 36%.

Similarly, in Paragraph 82 on page 29, our experience of typical commission rates would be 30% to 50% for MPPI products with rates for mortgage intermediaries at between 27% and 32%.

We trust the above will be of assistance to you and would welcome the opportunity to discuss our thoughts further with the Commission if appropriate.

If you should require any further information, please let me know.

Yours sincerely

**Matthew Lorimer**  
**Head of Legal**