

## PART 1

### General

#### 1. Title, commencement and application

1.1 This Order may be cited as the 'Payment Protection Insurance Market Investigation Order 2009' and shall come into force on **[insert date of signature]** except:

(a) Articles 3, 5 and 6 which shall come into force six calendar months from the date of this Order; and

(b) Articles 4, 7, 8, 9, 10 and 11 which shall come into force 12 calendar months from the date of this Order.

1.2 This Order applies to any PPI Provider who (whether from an establishment in the United Kingdom or otherwise) ~~in the United Kingdom~~ provides PPI to a Consumer in the United Kingdom.

#### 2. Interpretation

2.1 In this Order:

**Annual Premium** means a payment of the Premium for a PPI Policy made once a year which is not a Single Premium.

**Annual Review** means a Written Communication made in accordance with Article 4 and in the format set out in Schedule 3 that summarizes information relating to a PPI policy for the preceding 12 calendar months.

**APR** Annual percentage rate of charge calculated in accordance with the Consumer Credit Act 1974 or in the case of Mortgage PPI, the Mortgages and Home Finance: Conduct of Business Sourcebook as amended from time to time.

**Associate** means PPI Provider with whom the Credit Arranger has a Commercial Referral Relationship for the sale of PPI and either:

(a) is mentioned by the Credit Arranger to the Consumer after commencement of the Credit Sale; or

(b) to whom the Credit Arranger has given or allowed access to information concerning a specific Credit Agreement for the purposes of selling PPI.

**CC** means the Competition Commission.

**CCPPI** means Credit Card Payment Protection Insurance.

**CCPPI Provider** means a person who in the course of a trade, business or profession carried on by him as principal sells or promises to sell CCPPI to a Consumer.

**Claims Ratio** Means, in respect of a PPI Provider, the PPI Provider's Incurred Claims during a calendar year divided by the PPI Provider's Earned Premiums during the same year expressed as a percentage.

**Combined APR** means the combined cost of the Credit with PPI over the duration of the Credit expressed as a percentage rate and calculated by applying the formula used to calculate the APR on the Credit with unaltered assumptions to the cash flows associated with a customer taking out Credit with PPI for the duration of the Credit, save that:-

- in respect of CCPPI the following assumptions shall apply to enable PPI Providers to make these calculations: a) there is a drawdown of £1,500 on day one of the Credit Agreement; b) that credit will be repaid in full by means of 12 equal monthly instalments beginning one month after drawdown; and c) those repayments are deemed to cover all interest applied during the period of the repayments and any annual fee; and
- in respect of MPPI or SMPPPI the following assumptions shall apply to enable PPI Providers to make these calculations in circumstances where the exact details of the terms of the Credit have not yet been established: a) there is a drawdown of £100,000 on day one of the Credit Agreement; b) that credit will be repaid in full by means of equal monthly instalments over a 25 year term beginning one month after drawdown; c) the APR that will apply to the Credit Agreement is a fixed rate of 6% APR; and d) those repayments are deemed to cover all interest applied during the period of the repayments and any fees.

**Commercial Referral Relationship** means an arrangement whereby one party receives payment or other benefit from another party (other than the Consumer) as a result of a Consumer purchasing PPI and includes an arrangement with similar effect between members of a corporate group.

**Compliance Officer** means a natural person employed by a PPI Provider whose duties include those set out in Article 15.2.

**Compliance Report** means the reports required pursuant to Article 12.

**Consumer** means a natural person who, in transactions covered by this Order, is acting for purposes which are outside any trade, business or profession carried on by that person.

**Credit** means any kind of loan, deferment of repayment of any loan or of interest on any loan, guarantee or indemnity, and any other kind of accommodation or facility in the nature of credit granted to a natural person not acting in the course of a trade, business or profession and includes a Mortgage, Credit Card and Retail Credit Account but does not include a facility which enables a debtor to overdraw on a current account or a facility offered by a Store Card.

**Credit** means a consumer credit agreement within the meaning of the Consumer

<b>Agreement</b>	Credit Act 1974 as amended from time to time setting out the terms and conditions governing the provision and repayment of Credit.
<b>Credit Arranger</b>	means the Distributor or Intermediary arranging the sale of Credit to a Consumer.
<b>Credit Card</b>	means a Credit Agreement which is a credit-token agreement within the meaning of the Consumer Credit Act 1974 as amended from time to time, other than a Store Card.
<b>Credit Card Payment Protection Insurance</b>	means PPI which insures Credit Card repayments.
<b>Credit Provider</b>	means a person providing Credit <u>as principal</u> pursuant to a Credit Agreement and includes the person to whom <u>the original Credit Provider's</u> rights and duties under the agreement have passed by assignment or operation of law.
<b>Credit Sale</b>	<p>means the process commencing when a Consumer makes an application for Credit and concluding when the Consumer receives confirmation in a Durable Medium that the Credit Provider is bound unconditionally to provide the Credit. <u>Provided that, in deciding whether the Credit Provider is bound unconditionally to provide Credit, no account shall be taken of:</u></p> <p><u>(i) conditions relating to the value of, title to or any rights or obligations attaching to any property to be offered by way of security for the Credit;</u></p> <p><u>(ii) conditions which it is within the power of the Consumer to fulfil (including conditions relating to actions to be taken by the Consumer to activate a Credit Card); or</u></p> <p><u>(iii) conditions which it is within the power of a third party (other than the Credit Provider or Credit Arranger) to fulfil</u></p> <p><u>and a condition shall not be treated as falling outwith the scope of paragraphs (i) to (iii) above merely because a matter or thing needs to be demonstrated or done to the reasonable satisfaction of the Credit Provider or Credit Arranger.</u></p>
<b>Direct Marketing Material</b>	means Marketing Material directed to a particular Consumer and includes email and Marketing Materials included in addressed mail.
<b>Distributor</b>	means a Credit Provider who sells PPI in conjunction with the Credit it sells.
<b>Durable Medium</b>	means paper or any instrument or media which enables the recipient to store information addressed personally to the recipient in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored.

<b>Electronic Communication</b>	has the same meaning as in the Electronic Communications Act 2000 as amended from time to time.
<b>Earned Premiums</b>	means actual earned premiums in a calendar year calculated exclusive of <u>insurance premium</u> tax and with no adjustment for any risks being reinsured <del>and are being</del> that proportion of written premiums (including where relevant those of previous calendar years) attributable to the risks borne by the insurer during that calendar year.
<b>FSA</b>	means the Financial Services Authority.
<b>GWP</b>	means gross written premium from PPI exclusive of tax.
<b>Home Shopping Account</b>	means Retail Credit Account.
<b>ICOBS</b>	means Insurance: New Conduct of Business Sourcebook.
<b>Incurred Claims</b>	means total claims paid during the calendar year, <u>together with any costs or fees incurred during the calendar year in connection with the investigation or handling of claims</u> , adjusted for changes to the undiscounted claims reserve <del>calculated exclusive of tax</del> and with no adjustment for any risks being reinsured.
<b>Independent Market Research Agency</b>	means a company which as its primary business carries out research with consumers, is certified to ISO 20252/2006 or equivalent and is legally independent from any PPI Provider.
<b>Indirect Marketing Material</b>	means Marketing Material which is aimed at Consumers in general using intervening media such as newspaper and broadcast advertisements.
<b>Insurer</b>	means a company which provides insurance, agreeing to take responsibility <u>on its own account [or as principal]</u> for paying <u>claims and/or the sums</u> insured to the policyholder pursuant to the contract of insurance and for the purposes of this Order includes an Underwriter.
<b>Intermediary</b>	means a person other than a Distributor through whom a Consumer is able to select or purchase or arranges to purchase a PPI policy, either in conjunction with a specific Credit Agreement or not and for the purposes of this Order does not include a Price Comparison Website.
<b>Intermediary Network</b>	means an organization which is an association of more than one Intermediary.
<b>Marketing Material</b>	means a Written or Oral Communication containing a promotional message, an invitation or inducement to purchase PPI and includes Direct and Indirect Marketing Material.
<b>Marketing Statement</b>	means Marketing Material containing any of the items of information listed in Schedule 1.
<b>Merchandise</b>	means insurance against loss as a result of accidental damage or theft of

<b>Cover</b>	goods purchased.
<b>Monthly Benefit</b>	means the benefit that is payable to a Policyholder on a monthly basis in the event of an accident, sickness or unemployment claim on a PPI Policy.
<b>Monthly Premium</b>	means payment of the Premium by regular monthly payments where failure to make the payments results in lapsing of the Policy.
<b>Mortgage</b>	means a Credit Agreement for the purchase of land using land as security.
<b>MPPI</b>	means <del>PPI in respect of Mortgage Payment Protection Insurance to insure the repayments under</del> a first-charge Mortgage.
<b>OFT</b>	means the Office of Fair Trading.
<b>Oral Communication</b>	means a communication made orally by a PPI Provider to a Consumer either direct in person or by telephone or by using intervening media such as broadcast media.
<b>Payment Protection Insurance</b>	means insurance <del>offered for the purpose of enabling which enables</del> a Policyholder who has taken out Credit to continue to <u>service and/or discharge the Credit (in whole or in part) if</u> <del>make repayments in the event that</del> the Policyholder <del>becomes unable to maintain the repayments</del> by reason of accident, sickness and/or unemployment <u>or otherwise becomes unable to do so</u> or <u>insurance which</u> can reasonably be expected to be used <del>for this purpose in this way</del> whether or not combined with other forms of insurance cover and for the purposes of this Order includes Short-Term Income Protection Insurance.
<b>Penetration Rates</b>	Means, <u>in respect of a Distributor or Intermediary</u> the number of Consumers who take out PPI in a year <u>with the Distributor or, as the case may be, Intermediary</u> , expressed as a percentage of the total number of Consumers who take out Credit over the same period <u>with the Distributor or, as the case may be, Intermediary</u> and includes PPI Policyholders who subsequently cancel <u>but excludes, in each case, PPI Policyholders to whom the Distributor or, as the case may be, Intermediary supplied Stand Alone PPI.</u>
<b>Personal Loan</b>	means a Credit Agreement which is not a Credit Card, Store Card, Retail Credit Account or Mortgage.
<b>Personal PPI Quote</b>	means the completed document in the form set out in Schedule 4.
<b>PLPPI</b>	means <u>PPI in respect of a</u> Personal Loan <del>Payment Protection Insurance.</del>
<b>Policyholder</b>	means the <del>legal</del> holder of the PPI Policy <del>and</del> to whom any sum is due or payable or any other benefit is to be provided or to whom such a sum, payment or benefit is contingently due, payable or to be provided.

<b>PPI</b>	means Payment Protection Insurance.
<b>PPI Comparison Tables</b>	means the tables produced by the FSA containing price and non-price information about PPI.
<b>PPI Policy</b>	means an agreement to provide PPI to the Policyholder.
<b>PPI Product Type</b>	means the individual types of PPI policies being PLPPI, SMPPI, CCPPI, Retail PPI and MPPI.
<b>PPI Provider</b>	means a person who in the course of any trade, business or profession <u>carried on by him as principal</u> sells, or promises to sell, PPI to a Consumer and for the purposes of this Order includes a Distributor, an Intermediary, a Stand-Alone Provider, <del>a or</del> Short-Term IP Provider <u>and an Underwriter, to the extent that it sells PPI other than through a Distributor or Intermediary.</u>
<b>Premium</b>	means <u>all or part of the total</u> the amount paid or payable by the Policyholder under a PPI Policy, <u>including insurance premium tax.</u>
<b>Prescribed Statement</b>	means the statement set out in Schedule 1a or 1b as applicable.
<b>Price Comparison Website</b>	means an Internet site which, as its primary business, gathers and presents to Consumers price and/or non-price information about financial products from many different providers but does not sell its own financial products to the Consumer.
<b>Prohibition Period</b>	Means, <u>in respect of a Credit Sale by a Credit Arranger,</u> the period commencing at the conclusion of the Credit Sale and concluding at the later of either (a) <del>seven</del> <u>the seventh</u> consecutive days following the conclusion of the Credit Sale commencing on the day of the conclusion of the Credit Sale; or (b) <del>seven</del> <u>the seventh</u> consecutive days following the receipt by the Consumer of a Personal PPI Quote <u>from the Credit Arranger or an Associate of the Credit Arranger if one has not been given before the conclusion of the Credit Sale commencing on the day of receipt by the Consumer of the Personal PPI Quote.</u>
<b>Regular Premium</b>	means a series of payments made on a continuing basis and at regular intervals of the Premium by the Policyholder to the Insurer.
<b>Retail Credit Account</b>	means a Credit Agreement other than a Store Card between a retailer and a Consumer to enable the Consumer to purchase the retailer's goods before payment.
<b>Retail PPI</b>	means PPI <u>in respect of</u> <del>to insure repayments under</del> a Retail Credit Account.
<b>Retail PPI Provider</b>	means a person who in the course of a trade, business or profession <u>carried on by him as principal</u> sells or promises to sell Retail PPI to a Consumer.

<b>Short-Term Income Protection Insurance</b>	means insurance which provides a pre-agreed amount of money for a specified period of time which is less than five years in the event of the occurrence of loss by reason of accident, sickness or unemployment.
<b>Short-Term IP</b>	means Short-Term Income Protection Insurance.
<b>Short-Term IP Provider</b>	means a person who in the course of a trade, business or profession <u>carried on by him as principal</u> sells or offers to sell Short-Term IP to a Consumer.
<b>Single Premium</b>	means a payment paid as a lump sum at commencement <del>or at any time after</del> of a PPI policy <u>or at any time thereafter</u> of the total Premium payable under the PPI Policy.
<b>SMPPI</b>	means PPI <u>in respect of a personal loan secured by a second or lower-ranking mortgage over land to insure repayments under a Mortgage other than a first charge Mortgage.</u>
<b>Stand-Alone PPI</b>	means PPI <u>offered for sale:-</u>  <u>(a) by a Credit Arranger or an Associate of the Credit Arranger at least six months after the conclusion by the Credit Arranger of a Credit Agreement in respect of the Credit to which the PPI relates; or</u>  <u>(b) by a person who is not the Credit Arranger or an Associate of the Credit Arranger in respect of the Credit to which the PPI relates; or</u>  <u>(c) by a Stand Alone Provider and which is not specific to any particular Credit, that is not offered or sold in conjunction with a specific Credit Agreement and includes PPI sold by a Credit Arranger six months or more after the conclusion of the Credit Agreement.</u>
<b>Stand-Alone Provider</b>	means a person who in the course of a trade, business or profession <u>carried on by him as principal</u> sells or offers to sell Stand-Alone PPI to a Consumer <u>and includes a Credit Arranger or an Associate of a Credit Arranger to the extent that it offers to sell or sells a PPI Policy in respect of a Credit Agreement concluded by the Credit Arranger six months or more prior to the offer or sale of the PPI Policy.</u>
<b>Store Card</b>	has the same meaning as in the Store Cards Market Investigation Order 2006.
<b>Underwriter</b>	means a person who assesses risk and writes and issues an insurance policy <u>on its own account.</u>
<b>Written Communication</b>	means a communication in writing (either hard copy or electronic) by a PPI Provider to a Consumer or potential Consumer made by any means including by an Electronic Communication.

- 2.2 In this Order unless otherwise specified:
- (a) any reference to '**day**' means calendar day;
  - (b) any reference to '**month**' means calendar month; and
  - (c) any reference to '**annual**' means the 12 months ending with 31 December or 12 consecutive months and any reference to '**annual basis**' or '**annually**' is construed on a cognate basis.
- 2.3 Except where words and expressions are expressly defined, the Interpretation Act 1978 shall apply to this Order as it does to Acts of Parliament.

## PART 2

### Information requirements

#### 3. Obligation to provide information about PPI

- 3.1 The PPI Provider shall ensure that, ~~both the cost of PPI expressed in the format of the monthly cost for every £100 of Monthly Benefit and the following information are displayed prominently~~ when a PPI Provider makes a Marketing Statement to a Consumer, both the cost to the Consumer of PPI, expressed in the format of the monthly cost for every £100 of Monthly Benefit, and the following information are also communicated prominently to the Consumer:

(a) in the case of PLPPI, CCPPI, SMPPI, MPPI and Retail PPI, the Prescribed Statement set out in Schedule 1a; or

(b) in the case of Stand-Alone PPI or Short-Term IP, the Prescribed Statement set out in Schedule 1b.

and, for the purposes of this provision, the PPI Provider may communicate such information by any appropriate means, having regard to the circumstances and manner in which the Marketing Statement is made.

- 3.2 In the case of CCPPI or Retail PPI, in addition to the obligations arising under Article 3.1, the PPI Provider shall ~~cause~~ ensure that the cost to the Consumer of PPI ~~to be is~~ expressed in the format of the monthly cost for every £100 of the balance outstanding owed by the Consumer on the Credit account each month ~~and is communicated to be displayed~~ prominently in Marketing Material (and, for the avoidance of doubt, this amount may be calculated on any reasonable basis, provided that the PPI Provider also provides a clear explanation of the basis of calculation employed).
- 3.3 In addition to any obligations arising under Article 3.1, where the Monthly Benefit ~~payable~~ to the Consumer pursuant to a PPI Policy is payable for a duration of less than 12 months ~~or less~~, the PPI Provider shall ensure that ~~cause~~ the Additional Statement set out in Schedule 2 ~~is to be displayed~~ communicated prominently in Marketing Material concerning that PPI Policy.
- 3.4 The obligation in Article 3.3 does not apply ~~to in respect of~~ Retail PPI Policies ~~in under~~ which, in the event of a valid claim, the Underwriter would, if the circumstances giving rise to the claim persisted, pay out the total outstanding balance on the Retail Credit Account within 12 months of the claim ~~the total outstanding balance would always be cleared within 12 months of a Consumer making a claim.~~
- 3.5 Subject to Article 3.6 and Article 3.7, where, in the course of selling or offering to sell PPI which is provided by another PPI Provider, an Intermediary makes a Marketing Statement, it shall be a defence to any claim for infringement by the Intermediary of any of Articles 3.1, 3.2 or 3.3 in connection therewith for the Intermediary to show that it relied, for the purpose of discharging its obligations under any of Articles 3.1, 3.2 or 3.3, on the provision of Marketing Materials produced by such other PPI Provider which it reasonably believed to be sufficient to discharge its obligations under Article 3.1, 3.2 or, as the case may be, 3.3 in connection therewith. Where an Intermediary sells or arranges to sell PPI which is provided by another PPI Provider and the Intermediary makes a Marketing Statement, the Intermediary may rely on the Marketing Materials produced by that PPI Provider pursuant to Articles 3.1, 3.2 or 3.3 as the case may be in full discharge of the obligations arising pursuant to this Article and the PPI Provider remains responsible for ensuring that the Marketing Material complies with the requirements of this Article.
- 3.6 When an Intermediary sells or arranges to sell PPI which is designed for the Intermediary or an Intermediary Network and makes a Marketing Statement, the Intermediary or the Intermediary Network which provides the PPI Policy shall ~~cause~~ ensure that the Marketing Material relating to that PPI Policy ~~to compliesy~~ with the requirements of this Article.
- 3.7 Where a PPI Provider makes a Marketing Statement as an Oral Communication to a Consumer, the disclosures required by this Article including the Prescribed Statement and Additional Statement shall be included prominently in the same Oral Communication.
- 3.8 The requirements of this Article apply in addition to any other statutory or regulatory requirements which may from time to time apply to the marketing and advertising of PPI.
- 3.9 For the purposes of this Article '**prominently**' means with sufficient prominently obvious that a Consumer would reasonably be expected to take notice when looking

at or listening to the Marketing Material and no less prominently than the Marketing Statement itself.

#### 4. **Obligation to provide an Annual Review**

4.1 Subject to Article 4.8, Aa PPI Provider shall cause an Annual Review to be sent to the Policyholder for any PPI Policy held by the Policyholder which commences on or after the date of commencement of this Article as follows:

(a) where a PPI Policy has an annual renewal date or Premium is paid by Annual Premium, the Annual Review shall be sent not less than two weeks and not more than four weeks before the renewal date or payment due date as the case may be; and

(b) where a PPI Policy is paid by Monthly or Regular Premium, the first Annual Review shall be sent at any time during the 13 months following the commencement of the PPI Policy and each subsequent Annual Review shall be sent within two weeks of the anniversary of that date.

4.2 Subject to Article 4.8, Aa PPI Provider shall cause an Annual Review to be sent to each Policyholder for each SMPPI Policy paid by Regular Premium, CCPPI Policy, Retail PPI Policy or MPPI Policy held by the Policyholder which is in force at the date of commencement of this Article and the first Annual Review may be sent at any time within 12 months of the date of commencement of this Article and each subsequent Annual Review shall be sent within two weeks of the anniversary of that date.

4.3 There is no requirement to send an Annual Review to a Policyholder who in the 12 months preceding the date when an Annual Review would otherwise have to be sent has:

(a) not paid or been required to pay any PPI Premium;

(b) cancelled the PPI policy; or

(c) permitted the PPI policy to lapse.

4.4 An Annual Review shall be provided separately from any information on or about or relating to the Credit Agreement to which the PPI policy relates.

4.5 A PPI Provider in the case of:

(a) PLPPI shall use the form of Annual Review set out in Schedule 3a;

(b) SMPPI or MPPI shall use the form of Annual Review set out in Schedule 3b;

(c) CCPPI shall use the form of Annual Review set out in Schedule 3c;

(d) Retail PPI shall use the form of Annual Review set out in Schedule 3d; and

(e) [Stand-Alone PPI or Short-Term IP shall use the form of Annual Review set out in Schedule 3e, save in respect of CCPPI that constitutes Stand-Alone PPI where the form of Annual Review set out in Schedule 3c shall be used.]

4.6 Where more than one PPI Provider has participated in the supply of a PPI Policy, and provided that one of such participating PPI Providers has agreed with the others to

provide Annual Reviews in respect of such PPI Policy in accordance with this Article, no other participating PPI Provider shall be liable for any infringement of this Article in respect of such PPI Policy (and, so far as relates to PPI Policies issued before the commencement of this Order, in the absence of any agreement to the contrary, the PPI Provider who has sent out the Annual Review shall be deemed to have agreed with other participating PPI Providers to provide Annual Reviews in accordance with this Article in the form set out in Schedule 3e). ~~Where an Intermediary has sold a PPI Policy, the person who maintains the ongoing relationship with the Policyholder being the Underwriter, Distributor or Stand-Alone Provider as the case may be shall cause the Annual Review to be sent to the Policyholder in the form set out in Schedule 3e.~~

4.7 An Annual Review may be provided as an Electronic Communication (in place of paper) only at the specific request of the Policyholder.

4.8 Where a PPI Policy is provided to joint Policyholders, a PPI Provider need not give an Annual Review to each of the Policyholders where the Policyholders have signed and given the PPI Provider a written notice indicating which of them is to receive the Annual Review.

## **5. Obligation to provide information to the FSA**

5.1 A PPI Provider shall provide to the FSA such data, in such format, as the FSA may need from time to time in connection with the preparation of and publication by the FSA of the PPI Comparison Tables.

## **6. Obligation to disclose Claims Ratios**

6.1 A PPI Provider shall within three months of the end of each year produce aggregate Claims Ratios for the year ending 31 December for each PPI Product Type and provide these to any person ('the enquirer') on request.

6.2 Claims Ratios shall be disclosed in 10 percentile increments up to 80 per cent above which Claims Ratios shall be disclosed in one aggregate banding. The disclosure of Claims Ratios shall be accompanied by an explanation in plain English of how they have been calculated.

6.3 A request pursuant to Article 6.1 may be made either orally or in writing and may be satisfied by either:

(a) in the case of an oral request, communicating the information pursuant to Article 6.2 orally to the enquirer within 24 hours after receiving the request; or

(b) in the case of either an oral or written request sending the enquirer a statement in writing containing the information pursuant to Article 6.2 within seven calendar days after receiving the request; or

(c) by directing the enquirer either by Written or Oral Communication to the Claims Ratios published on the PPI Provider's website and within the timescale stipulated in (a) or (b) above as the case may be.

## 7. Obligation to provide a Personal PPI Quote

7.1 Where a PPI Provider makes a Marketing Statement to a Consumer during a Credit Sale or when offering to sell PPI, the PPI Provider shall on the same occasion or as soon as practicable thereafter provide the Consumer with a Personal PPI Quote unless:

(a) the PPI Provider ascertains that the Consumer is ineligible for or does not intend to take out the Credit to which the PPI Policy would relate; or

(b) the PPI Provider ascertains that the Consumer is ineligible for a PPI Policy of the kind to which the Marketing Statement relates;

(c) despite the making of reasonable endeavours by the PPI Provider to obtain such information, the Consumer fails to provide information which the PPI Provider would need to obtain from him in order to provide a complete Personal PPI Quote; or

(d) the Consumer makes clear that he does not wish to receive a Personal PPI Quote.

7.2 For the purposes of Article 7.1, a PPI Provider shall provide a separate Personal PPI Quote in a Durable Medium shall be provided for each PPI policy offered or to be offered and shall be given in a Durable Medium and:

(a) in the case of PLPPI, shall be in the form set out in Schedule 4a;

(b) in the case of SMPPI or MPPI, shall be in the form set out in Schedule 4b;

(c) in the case of CCPPI, shall be in the form set out in Schedule 4c;

(d) in the case of Retail PPI, shall be in the form set out in Schedule 4d; and

(e) [in the case of Stand-Alone PPI or Short-Term IP and PPI sold by an Intermediary, shall be in the form set out in Schedule 4e save in respect of CCPPI sold as Stand-Alone PPI where the form set out in Schedule 4c shall be used]

in respect of each PPI Policy offered or to be offered by the PPI Provider to the Consumer. However, provided that the PPI Provider informs the Consumer that it offers more than one form of PPI Policy in respect of the Consumer's relevant Credit, or that PPI is available where more than one type of Credit Agreement is under discussion with the Consumer during the Credit Sale, the PPI Provider may elect to provide a Personal PPI Quote in a Durable Medium in the form prescribed in this Article 7.2 in respect of only one such PPI Policy, being the PPI Policy under which the Monthly Premium or Annual Premium payable is the highest (among those offered or to be offered by the PPI Provider to the Consumer).

7.3 Provided that the Consumer continues to fulfil the criteria for eligibility for the PPI Policy to which the Personal PPI Quote relates, and that there has been no other material change in the Consumer's circumstances~~there is no change in the eligibility criteria of the Consumer~~, a Personal PPI Quote shall remain valid for a period of no less than 14 days commencing on the day the Personal PPI Quote is received by the Consumer.

7.4 The PPI Provider shall provide any Personal PPI Quote required to be provided by Articles 7.1 and 7.2 above to the Consumer by handing a copy of it to the Consumer on the occasion when the Marketing Statement is made, or by sending it by post or electronic communication to the Consumer as soon as practicable thereafter. In any circumstance other than the Consumer receiving the Personal PPI Quote in person or by recorded receipt, the date-time of receipt is deemed to be:

(a) in the case of posting, 9am on the second day; and

(b) in the case of Electronic Communication, 1 hour

           following the dispatch of the Personal PPI Quote by the PPI Provider.

### PART 3

#### The prohibitions

#### 8. Prohibition on sale of PPI before the start of the Credit Sale

8.1 Where a Credit Arranger has discussed Credit with a Consumer and has reasonable grounds to believe that the Consumer will make an application for Credit within seven days of the discussion, the Credit Arranger shall not conclude the sale of a PPI Policy for the Credit discussed with the Consumer before the commencement of the Credit Sale but may provide the Consumer with a Personal PPI Quote.

8.2 For the purposes of this Article a Credit Arranger will have reasonable grounds to believe that the Consumer will make an application for Credit if the Credit Arranger has discussed any of the following with the Consumer:

(a) the amount of Credit that may be provided;

(b) the terms of repayment of the Credit; or

(c) the interest rate payable on the Credit.

8.3 For the purposes of this Article, a Consumer is not to be regarded as making an application for Credit by applying to utilise Credit under a facility available under an existing Credit Agreement.

## 9. Prohibition on sale of PPI after the start of the Credit Sale

9.1 The following persons shall not after the start of a Credit Sale conclude a PPI Policy with a Consumer or contact a Consumer to sell a PPI Policy in respect of the Credit to which the Credit Sale relates ~~but may provide a Personal PPI Quote~~ until the conclusion of the Prohibition Period:

(a) the Credit Arranger; or

(b) an Associate of the Credit Arranger;

but neither the Credit Arranger nor any Associate of the Credit Arranger shall be precluded during such period from providing a Personal PPI Quote for such a PPI Policy.

9.2 The prohibition in Article 9.1 shall not apply (and the Credit Arranger or an Associate may conclude a PPI Policy in respect of the Credit to which the Credit Sale relates with the Consumer) provided all the following conditions are satisfied:

(a) a period of 24 hours has passed since the later of:

(i) the end of the Credit Sale; or

——(ii) the receipt by the Consumer of ~~the a~~ Personal PPI Quote provided in accordance with Article 7 by the Credit Arranger or an Associate of the Credit Arranger;

(b) the Consumer initiates the transaction by contacting the Credit Arranger or an Associate ~~and initiating contact may be only~~ either via the Internet or by telephone;

(c) the Consumer confirms to the Credit Arranger or the Associate who is to sell the PPI Policy ~~has received a Personal PPI Quote in accordance with Article 7 and the person who intends to sell the PPI receives confirmation from the Consumer~~ that the Consumer has received such a ~~the~~ Personal PPI Quote; and

(d) the Credit Arranger or the Associate who is to sell the PPI Policy ~~person who intends to sell the PPI~~ is able to verify to the satisfaction of the OFT if required by the OFT to do so that all of the above conditions have been satisfied.

and, for the avoidance of doubt, provided that the requirements of paragraphs (a) to (d) are met, the Credit Arranger or its Associate shall be entitled to sell a PPI Policy on different terms from those contained in the Personal PPI Quote, provided that the Monthly Premium or Annual Premium payable under the PPI Policy concluded with the Consumer is no higher than the Premium quoted in the Personal PPI Quote.

9.3 For the avoidance of doubt, the prohibition in Article 9.1 shall not apply in relation to Stand Alone PPI, and nothing in Articles 9.1 or 9.2 shall preclude a Stand Alone Provider from concluding a PPI Policy for Stand Alone PPI with a Consumer or contacting a Consumer to sell a PPI Policy for Stand Alone PPI at any time.

9.3.4 If before or after commencement of this Order a Consumer enters in to an arrangement which has the same effect as a PPI policy and the sole or dominant or substantial

purpose of the PPI Provider in participating in that arrangement was to avoid the operation of this Order, that arrangement shall be deemed to be a PPI Policy and this Order shall apply.

9.49.5 A Credit Sale does not commence when the maximum amount of Credit that a Consumer can borrow on a Credit Card or Retail Credit Account is varied during the term of the Credit Agreement, ~~nor~~ when a Credit Card is replaced or when a Consumer requests or draws down Credit under a facility available under an existing Credit Agreement.

## **10. Prohibition of payment by Single Premium and Requirement to pay a Rebate**

10.1 A PPI Provider shall not enter into an agreement having a term of more than 12 months to provide PPI which requires payment by a Single Premium.

10.2 Where a PPI Provider sells a PPI Policy after this Order comes into force, it shall not require ~~A PPI Provider shall not sell a PPI Policy which requires~~ the Policyholder to pay the Premium other than by Monthly Premium or Annual Premium.

10.3 Where a PPI Provider sells a PPI Policy after this Order comes into force, it ~~A PPI Provider~~ shall not make any charges in addition to the Annual or Monthly Premium for set-up, administration or early termination of a PPI Policy for any reason.

10.4 Where a PPI Provider sells a PPI Policy under which the Premium is paid by Annual Premium and the Policyholder terminates ~~a the~~ PPI Policy ~~paid by an Annual Premium during the term~~, the PPI Provider shall pay a rebate to the Policyholder in direct proportion to the remaining period of cover.

## **PART 4**

### **Requirement as to separate supply**

## **11. Obligation to offer Retail PPI separately when sold in a package of insurance**

11.1 Where a Retail PPI Provider offers a package of insurance which contains PPI and Merchandise Cover, the PPI Provider shall also offer at the same time PPI alone as a separate insurance.

## **PART 5**

### **Compliance**

## **12. Obligation to submit Compliance Reports**

12.1 ~~Commencing on the first anniversary of this Order coming into force in accordance with Article 1.1, a~~ A PPI Provider who in 2007 achieved either:

(a) a total GWP of £30 million or more; or

(b) a GWP of £10 million or more

in relation to any PPI Product Type, Stand-Alone PPI or Short-Term IP shall submit a Compliance Report to the OFT in respect of the six month period ending on the first anniversary of this Order coming into force on that date and each six month ~~periods~~ thereafter for ~~two years~~ twelve months ('the six-monthly reports') and any such six monthly report submitted to the OFT in accordance with this Article 12.1 shall be submitted within eight weeks of the end of the period to which it relates. ~~and thereafter, annually on the date corresponding with the anniversary of this Order coming into force ('the annual reports') and the obligation shall continue provided the amounts in (a) or (b) as the case may be are met.~~

12.2 Commencing on the second anniversary of this Order coming into force in accordance with Article 1.1, a PPI Provider which in the preceding year achieves either:

- (a) a total GWP of £30 million or more; or
- (b) a GWP of £10 million or more

in relation to any PPI Product Type, Stand-Alone PPI or Short-Term IP shall submit a Compliance Report to the OFT in respect of the 12 month period ending annually on the date corresponding with the second anniversary of this Order coming into force and each 12 month period thereafter [and any Compliance Report submitted to the OFT in accordance with this Article 12.2 shall be submitted within eight weeks of the end of the period to which it relates.

12.3 Commencing on the first anniversary of this Order coming into force in accordance with Article 1.1, a PPI Provider which does not meet the requirements set out in Article 12.1 or 12.2 but achieves a total annual GWP of £10 million or more in the preceding year shall submit annually to the OFT an annual breakdown of GWP by PPI Product Type, Stand-Alone PPI and Short-Term IP and this requirement shall lapse in favour of Article 12.2 when the PPI Provider meets those requirements.

12.4 Where two or more PPI Providers are members of the same corporate group, a Compliance Report shall be submitted on behalf of all those PPI Providers, but identifying separately the information in Schedule 5b for each PPI Provider which would otherwise fall within Articles 12.1 or 12.2 or 12.3.

12.5 A Compliance Report may be:

- (a) prepared by an Independent Party for the PPI Provider; or
- (b) produced by the PPI Provider in which case it shall include a certificate signed by an Independent Party that the Compliance Report is true and correct;

and in either case, the Compliance Report shall include a certificate signed by a director and independent non-executive director of the PPI Provider or in the case of an unincorporated PPI Provider, two partners who are Approved Persons, or in the case of a sole trader, an Authorised Person stating that the director and non- executive director or partners or Authorised Person as the case may be are or is satisfied that:

- (i) the Compliance Report has been prepared in the accordance with the requirements of this Order; and

(ii) for the period over which the Compliance Report reports, the PPI Provider has complied in all material aspects with the requirements of this Order and is reasonably expected to continue to do so.

12.6 Subject to any additional or different requirements that the OFT may impose pursuant to Schedule 6:

(a) the six-monthly reports shall report on the matters listed in Schedule 5a; and

(b) the annual reports shall report on the matters listed in Schedule 5b.

12.7 In this Article,

**'Approved Person'** means a person in relation to whom the FSA has given approval under section 59 of the Financial Services and Markets Act 2000 for the performance of activities regulated by section 22.

**'Independent Party'** means a person expert in the preparation of compliance reports and legally independent from the PPI Provider.

**'preceding year'** means the year which precedes the year for which the Compliance Report is to be submitted.

### **13. Obligation to conduct a mystery shopping exercise**

13.1 Commencing on the first anniversary of this Order coming into force in accordance with Article 1.1 and continuing annually thereafter in addition to any requirements arising under Article 12, a PPI Provider who achieves a total annual GWP of £60 million or more in the preceding year shall commission an independent mystery shopping exercise in accordance with the requirements in Schedule 5c .

13.2 A report of the results of the independent mystery shopping exercise required by Article 13.1 shall be included in the in the Compliance Report prepared in accordance with Article 12.

13.3 In this Article the term **'preceding year'** means the year which precedes the year for which the report of the results of the independent mystery shopping exercise is to be submitted.

### **14. Obligation to report on clarity of Marketing Material**

14.1 Commencing on the first anniversary of this Order coming into force in accordance with Article 1.1 a PPI Provider meeting the requirements in Article 12.1 or 12.2 shall provide the OFT annually with a report confirming that its PPI Marketing Material is easy to understand by the average Consumer and/or the average potential Consumer.

14.2 Marketing Material is only 'easy to understand by the average Customer and/or the average potential Consumer' if it has been either:

(a) certified as such by an independent organization specializing in plain English; or

(b) tested with Consumers by an Independent Market Research Agency and found to be easy to understand.

14.3 The report required by Article 14.1 shall be included in the Compliance Report prepared in accordance with Article 12.

**15. Obligation to appoint a Compliance Officer**

15.1 A PPI Provider shall appoint a Compliance Officer who shall be a natural person and shall notify the OFT of the name of that person within 21 days of this Order coming into force.

15.2 In addition to any other duties, the functions of the Compliance Officer shall include:

(a) monitoring compliance by the PPI Provider with this Order;

(b) compilation and submission of the Compliance Report to the OFT where required pursuant to Article 12;

(c) facilitation of the provision of information to the OFT; and

(d) acting as a point of contact for the OFT with the PPI Provider.

**PART 6**

**The CC**

**16. Directions by the CC as to compliance**

16.1 The CC may give directions falling within Article 16.2 to:

(a) a person specified in the directions; or

(b) a holder for the time being of an office so specified in any body of persons corporate or unincorporate.

16.2 Directions fall within this paragraph if they are directions:

(a) to take such actions as may be specified or described in the directions for the purpose of carrying out, or ensuring compliance with, this Order; or

(b) to do, or refrain from doing, anything so specified or described which the person might be required by this Order to do or refrain from doing.

16.3 In Article 16.2 above, 'actions' includes steps to introduce and maintain arrangements to ensure that any director, employee or agent of a PPI Provider carries out, or secures compliance with, this Order.

16.4 The CC may vary or revoke any directions so given.