

PAYMENT PROTECTION INSURANCE MARKET INVESTIGATION ORDER 2009

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Background

1. On 5 February 2007, the Office of Fair Trading (OFT) in exercise of its powers under [sections 131 and 133](#) of the Enterprise Act 2002 (the Act) referred the supply of all payment protection insurance services (except store card payment protection insurance services) to non-business customers in the UK ('the supply of PPI') to the Competition Commission (CC) for investigation.
2. The CC investigated the matters referred to it pursuant to [section 131](#) of the Act and concluded, in accordance with [section 134\(1\)](#) of the Act, that there are features of the market either alone or in combination which prevent, restrict or distort competition in connection within the relevant market and, in accordance with [section 134\(2\)](#) of the Act, that an adverse effect on competition existed.
3. The CC found that there is a detrimental effect on Consumers resulting from the adverse effect on competition and considered, in accordance with [section 134\(4\)](#) of the Act, whether (a) action should be taken by it for the purpose of remedying, mitigating or preventing the adverse effect on competition concerned or the detrimental effect on Consumers so far as it has resulted, or may be expected to result, from the adverse effect on competition, and whether (b) it should recommend the taking of action by others for the purpose of remedying, mitigating or preventing the adverse effect on competition concerned or any detrimental effect on Consumers so far as it has resulted from, or may be expected to result from, the adverse effect on competition.
4. In accordance with [section 165](#) of the Act and [paragraph 2\(1\)\(a\) of Schedule 10](#), the CC published on **INSERT DATE** a Notice of its intention to make this Order to remedy the adverse effects on competition that it had identified, indicating the nature of its provisions and stating that any interested person who wished to make representations should do so in writing by **INSERT TIME & DATE**.
5. The CC received a number of responses and having considered the representations it received is now issuing this Order.

The Order

The CC makes this Order in performance of its duty under [section 138](#) and in exercise of the powers it has in [section 86\(1\) to \(5\)](#) and [section 87](#) (each applicable by virtue of [section 164](#)), [section 161\(1\), \(3\) and \(4\)](#) and paragraphs 1, 2, 10, 11, 15, 17, 18, 19, 21 and 22 of [Schedule 8](#) of the Enterprise Act 2002, for the purpose of remedying, mitigating or preventing the adverse effect on competition and any detrimental effects on customers so far as they have resulted, or may be expected to result, from the adverse effect on competition specified in the report of the CC entitled *Payment Protection Insurance Market Investigation*.¹

¹www.competition-commission.org.uk/rep_pub/reports/2009/fulltext/542.pdf.

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 in the United Kingdom provides PPI to a Consumer.

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 means the annual percentage rate of charge calculated in accordance with the Consumer Credit Act 1974 or in the case of ~~MPPI~~, the Mortgages and Home Finance: Conduct of Business Sourcebook as amended from time to time.

Associate means a 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 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 sells or ~~offers~~ to sell CCPPI to a Consumer.

Claims Ratio means Incurred Claims during a calendar year divided by Earned Premiums during the same year expressed as a percentage.

Combined APR means the combined cost of the Credit with PPI over the duration

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Comment [A1]: Does not appear in Order?

Deleted: promises

	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 Consumer taking out Credit with PPI for the duration of the Credit.	Deleted: customer
Commercial Referral Relationship	means an arrangement whereby one party receives payment or other benefit from another party 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 a report required pursuant to Article 12.	Deleted: the Deleted: s
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 Consumer and includes a Mortgage, Credit Card and Retail Credit Account but for the purposes of this Order does not include a Store Card or a facility which enables a Consumer to overdraw on a current account.	Deleted: natural person not acting in the course of a trade, business or profession Deleted: debtor Deleted: or a Store Card
Credit Agreement	means a consumer credit agreement within the meaning of the Consumer Credit Act 1974 as amended from time to time setting out the terms and conditions governing the provision and repayment of Credit.	
Credit Arranger	means a Distributor or Intermediary arranging the sale of Credit to a Consumer.	Deleted: the
Credit Card	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.	
Credit Card Payment Protection Insurance	means PPI to insure repayments under a Credit Card.	Deleted: which Deleted: s Deleted: repayments
Credit Provider	means a person providing Credit pursuant to a Credit Agreement and includes a person to whom rights and duties under the agreement have passed by assignment or operation of law.	Deleted: the
Credit Sale	means the period commencing when a Consumer makes an application for Credit or, if earlier, when antecedent negotiations commence with a view to such an application , and concluding when the Consumer receives confirmation in a Durable Medium that the Credit Provider is bound unconditionally to provide the Credit.	Deleted: process Comment [A2]: The consumer may not make an application as such, other than by signing the credit agreement, but the sale process may have started some time previously
Direct Marketing Material	means Marketing Material directed to a particular Consumer and includes email and addressed mail.	Deleted: Marketing Materials included in

Distributor	means a Credit Provider who sells <u>or offers to sell</u> PPI in conjunction with <u>a Credit Agreement sold or offered by that person, whether or not on the same occasion</u> .	Deleted: the Deleted: it sells
Durable Medium	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.	
Electronic Communication	has the same meaning as in the Electronic Communications Act 2000 as amended from time to time.	
Earned Premiums	means actual earned <u>Premiums</u> in a calendar year calculated exclusive of tax and with no adjustment for any risks being reinsured and are that proportion of written <u>Premiums</u> (including where relevant those of previous calendar years) attributable to the risks borne by the <u>Insurer</u> during that calendar year.	Deleted: p Deleted: p Deleted: i
FSA	means the Financial Services Authority.	
GWP	means gross written <u>Premiums</u> from PPI <u>in a calendar year calculated</u> exclusive of tax.	Deleted: p
Home Shopping Account	means Retail Credit Account.	Comment [A3]: Is this definition superfluous?
ICOBS	means Insurance: New Conduct of Business Sourcebook.	
Incurred Claims	means total claims paid during the calendar year adjusted for changes to the undiscounted claims reserve calculated exclusive of tax and with no adjustment for any risks being reinsured.	
Independent Market Research Agency	means a company which as its primary business carries out research with <u>Consumers</u> , is certified to ISO 20252/2006 or equivalent and is legally independent from any PPI Provider.	Deleted: c
Indirect Marketing Material	means Marketing Material which is aimed at Consumers in general, <u>or a group of Consumers</u> , using intervening media such as newspaper <u>or</u> broadcast advertisements.	Deleted: and
Insurer	means a company which provides insurance, agreeing to take responsibility for paying the sum insured to the <u>Policyholder</u> pursuant to <u>a PPI Policy</u> , and for the purposes of this Order includes an Underwriter.	Deleted: p Deleted: the contract of insurance
Intermediary	means a person other than a Distributor through whom a Consumer is able to select or purchase or arranges to purchase a PPI <u>Policy</u> , either in conjunction with a <u>Credit Agreement</u> or not, and for the purposes of this Order does not include a Price Comparison Website.	Deleted: p Deleted: specific
Intermediary Network	means an organization which is an association of more than one Intermediary.	
Marketing Material	means a Written or Oral Communication containing a promotional	

message, an invitation or inducement to purchase PPI and includes Direct and Indirect Marketing Material.

Marketing Statement

means information consisting of or including any of the items of information listed in Schedule 1.

Deleted: Marketing Material containing

Merchandise Cover

means insurance against loss as a result of accidental damage or theft of goods purchased.

Monthly Benefit

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.

Monthly Premium

means payment of the Premium for a PPI Policy by regular monthly payments where failure to make the payments may result in lapsing of the PPI Policy.

Comment [A4]: Monthly Premium – appears to be superfluous now given that (a) "Regular Premium" includes a monthly premium and (b) "Regular Premium" is the preferred definition used in the body of the Order.

Mortgage

means a Credit Agreement which is secured by a mortgage on residential property.

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MPPI

means Mortgage Payment Protection Insurance to insure repayments under a first-charge Mortgage.

Comment [A5]: Not all mortgages are for house purchase

OFT

means the Office of Fair Trading.

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Oral Communication

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.

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Payment Protection Insurance

means insurance which enables a Policyholder who has taken out Credit to continue to make repayments in the event that the Policyholder becomes unable to maintain the repayments by reason of accident, sickness and/or unemployment or which can reasonably be expected to be used in this way whether or not combined with other forms of insurance cover and for the purposes of this Order includes Short-Term Income Protection Insurance.

Penetration Rates

means the number of Consumers who take out PPI from a PPI Provider in a year, expressed as a percentage of the total number of Consumers who take out Credit from that PPI Provider over the same period, and includes PPI Policyholders who subsequently cancel.

Personal Loan

means a Credit Agreement which is not a Credit Card, Store Card, Retail Credit Account or Mortgage.

Personal PPI Quote

means a completed document in accordance with Article 7 and in the form set out in Schedule 4.

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PLPPI

means Personal Loan Payment Protection Insurance.

Policyholder

means the legal holder of a PPI Policy and 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.

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PPI	means Payment Protection Insurance.	
PPI Comparison Tables	means the tables produced by the FSA containing price and non-price information about PPI <u>Policies</u> .	
PPI Policy	means an agreement to provide PPI to <u>a</u> Policyholder.	Deleted: the
PPI Product Type	means the individual types of PPI <u>Policies</u> being PLPPI, SMPPI, CCPPI, Retail PPI and MPPI.	Deleted: p
PPI Provider	means a person who in the course of any trade, business or profession 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 or Short-Term IP Provider.	
Premium	means the amount paid or payable by the Policyholder under a PPI Policy.	
Prescribed Statement	means the statement set out in Schedule 1a or 1b as applicable.	
Price Comparison Website	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.	
Prohibition Period	means the period commencing at the conclusion of the Credit Sale and concluding at the later of either (a) seven consecutive days following the conclusion of the Credit Sale commencing on the day of the conclusion of the Credit Sale; or (b) seven consecutive days following the receipt by the Consumer of a Personal PPI Quote 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.	
Regular Premium	means a series of payments made on a continuing basis and at regular intervals of the Premium <u>for a PPI Policy, and includes a Monthly Premium but not an Annual Premium</u> .	Deleted: by the Policyholder to the Insurer
Retail Credit Account	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.	
Retail PPI	means PPI to insure repayments under a Retail Credit Account.	
Retail PPI Provider	means a person who in the course of a trade, business or profession sells or <u>offers</u> to sell Retail PPI to a Consumer.	Deleted: promises
Short-Term Income Protection Insurance	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.	
Short-Term IP	means Short-Term Income Protection Insurance.	Comment [A6]: Are the definitions for "Short Term Income Protection Insurance" and "Short Term IP" both needed?
Short-Term IP Provider	means a person who in the course of a trade, business or profession sells or offers to sell Short-Term IP to a Consumer.	

Single Premium

means a payment ~~made~~ as a lump sum at or at any time after commencement of a PPI Policy of the total Premium payable under the PPI Policy.

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SMPPI

means PPI to insure repayments under a Mortgage other than a first-charge Mortgage.

Stand-Alone PPI

means PPI that is not offered or sold in conjunction with a Credit Agreement and includes PPI sold by a Credit Arranger six months or more after the conclusion of the Credit Agreement.

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Stand-Alone Provider

means a person who in the course of a trade, business or profession sells or offers to sell Stand-Alone PPI to a Consumer.

Store Card

has the same meaning as in the Store Cards Market Investigation Order.

Comment [A7]: There is no year specified in the Order's title

Underwriter

means a person who assesses risk and writes and issues a PPI Policy.

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Written Communication

means a communication in writing (either hard copy or electronic) by a PPI Provider to a Consumer made by any means including by an Electronic Communication.

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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 ~~Where a PPI Provider makes a Marketing Statement in Marketing Material, 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 included prominently in the Marketing Material:~~

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Comment [A8]: To take account of oral communications

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

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

Deleted: when a PPI Provider makes a Marketing Statement

- 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 the cost of PPI to be expressed in the format of the monthly cost for every £100 of the balance outstanding on the account each month and to be **included** prominently in **the** Marketing Material. Deleted: displayed
- 3.3 In addition to **the** obligations arising under Article 3.1, where the Monthly Benefit payable to the Consumer pursuant to a PPI Policy is for a duration of 12 months or less, the PPI Provider shall cause the **Additional Statement** set out in **Schedule 2** to be **included** prominently in **the** Marketing Material. Deleted: any
Comment [A9]: Suggest defining "Additional Statement" in Art 2.
- 3.4 The obligation in Article 3.3 does not apply to **a** Retail PPI Policy **under**, which the total outstanding balance would always be cleared within 12 months of a Consumer making a claim. Deleted: displayed
Deleted: concerning that PPI Policy
Deleted: ies
- 3.5 Where an Intermediary sells or **offers** to sell PPI which is provided by another PPI Provider and the Intermediary makes a Marketing Statement, the Intermediary may rely on the Marketing Material 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. Deleted: in
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- ~~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. Comment [A10]: Previous para 3.6 not needed
Deleted: 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 the Marketing Material relating to that PPI Policy to comply with the requirements of this Article. ¶
- 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 **sufficiently obvious that a Consumer would take notice when looking at or listening to the Marketing Material** and no less prominently than the Marketing Statement itself. Comment [A11]: Suggest defining "Additional Statement" above in Art 2.
Comment [A12]: Is there a more objective way of wording this? Perhaps the "no less prominently" requirement is sufficient?
Comment [A13]: Insert a requirement to follow the instructions for Annual Reviews set out at the start of Schedule 3.
- 4. Obligation to provide an Annual Review**
- 4.1 A 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 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 **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. Deleted: Monthly or
- 4.2 A PPI Provider shall cause an Annual Review to be sent to **the** 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. Deleted: each

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.

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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.

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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.

4.6 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.

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4.7 An Annual Review may be provided as an Electronic Communication only at the specific request of the Policyholder.

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 calendar year produce aggregate Claims Ratios for the year ending 31 December for each PPI Product Type and shall cause these to be published on its website as applicable. The PPI Provider shall also provide such information to any person ('the enquirer') on request.

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Comment [A14]: Insert a start date for the obligation to provide information to enquirers (since there will be no Claims Ratio data until three months from the end of the first calendar year after the Order comes into force)?

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

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

Comment [A15]: Define "plain English"? Could make use of provisions in Art 14?

(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 days after receiving the request; or

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(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**

Comment [A16]: Insert a requirement to follow the instructions set out at the start of Schedule 4?

7.1 Where a PPI Provider makes a Marketing Statement to a Consumer during a Credit Sale, the PPI Provider shall provide the Consumer with a Personal PPI Quote before the end of the Credit Sale.

Comment [A17]: A Marketing Statement in Marketing Material sent prior to the Credit Sale should not trigger the obligation

7.2 A separate Personal PPI Quote shall be provided for each PPI Policy offered and shall be given in a Durable Medium and:

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

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

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(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, shall be in the form set out in Schedule 4e.

Deleted: and PPI sold by an Intermediary

7.3 Provided 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 In any circumstance other than the Consumer receiving the Personal PPI Quote in person or by recorded receipt, the date of receipt is deemed to be:

(a) in the case of posting, the second working day; and

(b) in the case of Electronic Communication, the next working day,

Comment [A18]: Consumers may check e-mails only once a day at best

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

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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, the Credit Arranger shall not conclude the sale of a PPI Policy for the Credit before the commencement of the Credit Sale but may provide the Consumer with a Personal PPI Quote.

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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 or charges payable on the Credit.

8.3 The prohibition in this Article shall also extend to an Associate of the Credit Arranger.

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

9.1 Subject to Article 9.2, the following persons shall not after the start of a Credit Sale, and until the conclusion of the Prohibition Period, conclude a PPI Policy with a Consumer or contact a Consumer to sell or offer to sell a PPI Policy but may provide a Personal PPI Quote;

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- (a) the Credit Arranger; or
- (b) an Associate of the Credit Arranger.

9.2 The prohibition in Article 9.1 shall not apply and the Credit Arranger or an Associate may conclude a PPI Policy 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 a Personal PPI Quote;

Comment [A19]: It may be provided in accordance with Article 8 not Article 7

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(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 has received a Personal PPI Quote, and the person who intends to sell the PPI receives confirmation from the Consumer that the Consumer has received the Personal PPI Quote; and

Deleted: in accordance with Article 7

(d) the 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.

9.3 If before or after commencement of this Order a Consumer enters into an arrangement which has the same effect as a PPI Policy and the sole, or substantial purpose of 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.

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9.4 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.

9.5 A Credit Arranger shall not require a Consumer to obtain PPI as a condition of entering into a Credit Agreement or of doing so on particular terms, nor shall such terms be conditional upon the Consumer obtaining or maintaining PPI subsequently.

Comment [A20]: Otherwise need modified rules (and quotes and annual review forms) where PPI is not optional

10. Prohibition of payment by Single Premium and requirement to pay a rebate

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10.1 A PPI Provider shall not enter into an agreement to provide PPI which requires payment by a Single Premium.

10.2 A PPI Provider shall not sell a PPI Policy which requires the Policyholder to pay the Premium other than by Regular Premium or Annual Premium.

Deleted: Monthly

10.3 A PPI Provider shall not make any charges in addition to the Annual or Regular Premium for set-up, administration or early termination of a PPI Policy.

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10.4 Where a Policyholder terminates a PPI Policy paid by an Annual Premium, the PPI Provider shall pay a rebate to the Policyholder in direct proportion to the remaining period of cover.

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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 Retail 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 PPI Provider which in 2007 achieved either:

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(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 on that date and each six months thereafter for two years ('the six-monthly reports') 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.

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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 achieved either:

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(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 on that date and annually on the date corresponding with the anniversary of this Order coming into force (the annual reports).

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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 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.

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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 to which the Compliance Report relates, the PPI Provider has complied in all material aspects with the requirements of this Order and is reasonably expected to continue to do so.

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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 A Compliance Report may be submitted within one week of the due date in each case.

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12.8 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.

'Authorised Person' means.....

'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 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](#).

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

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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.

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Deleted: the average potential Consumer

14.2 Marketing Material is only 'easy to understand by the average Consumer' if it has been either:

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(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, and the PPI Provider shall notify the OFT of the name of that person within 21 days of this Order coming into force.

Comment [A21]: Compliance Officer already defined in Art 2, therefore deleted "who shall be a natural person" from this sentence.

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

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(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.

Schedule 1

Information giving rise to a Marketing Statement

Price Information

'Price Information' includes, but is not limited to, the expression of the price or cost of PPI as an exact, indicative or illustrative amount.

Significant benefits of PPI

'Significant benefits of PPI' includes, but is not limited to, claims of 'peace of mind', details of PPI cover and any other claim or assertion which would tend to affect the decision of Consumers generally to buy.

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Significant exclusions or limitations

A significant exclusion or limitation is one that would tend to affect the decision of Consumers generally to buy and which may have an adverse effect on the benefit payable under the PPI Policy.

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Duration

Length of time of the PPI Policy or time that benefits are paid under the Policy.

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Schedule 1a

Prescribed Statement for Distributor or Intermediary for inclusion in Marketing Material

The Prescribed Statement is:

Payment Protection Insurance is optional. There are other providers of Payment Protection Insurance, which is not the only product designed to protect you against loss of income. For unbiased information about insurance, please visit the FSA's website at www.moneymadeclear.fsa.gov.uk.

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Comment [A22]: What happens if the FSA or the URL is renamed or the FSA is abolished?

Schedule 1b

Prescribed Statement for Stand-Alone PPI Provider and Short-Term IP Provider for inclusion in Marketing Material

The Prescribed Statement is:

There are other providers of Payment Protection Insurance, which is not the only product designed to protect you against loss of income. For unbiased information about insurance, please visit the FSA's website at www.moneymadeclear.fsa.gov.uk.

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Schedule 2
Additional Statement

The Additional Statement is:

'The monthly benefit payable under this policy is for a duration of 12 months or less.'

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Schedule 3

Annual Review

Instructions for the Annual Review

1. The form of the Annual Review that follows must be used as the basis of the Annual Review provided pursuant to Article 4 and in particular:
 - (a) no text should be omitted or amended;
 - (b) presentation should be clear and easily legible and prominence must be given to text in bold; and
 - (c) where square brackets and italics indicate that certain specific information is to be provided (for example, company logo, reference, dates, how long the quote is valid for, PPI details, required notice for termination or telephone number), then the PPI Provider's specific information should be used to complete these sections where this is relevant. If no company-specific information is available (for example, no additional types of PPI cover are provided), then those criteria can be deleted.
 - (d) ~~colour and shading of the text can be adjusted so long as the other instructions of this schedule are not affected.~~
2. The Annual Review must always specify Life, Accident & Sickness and Unemployment cover as applicable. If PPI is not provided for any of these three types of cover, then this must be specified. Details of any additional types of cover must follow the specification of Life, Accident & Sickness and Unemployment cover. Integral features of the type of cover provided must be stated (for example, what is paid in the event of a claim).
3. Where statements for Credit are provided on a four-week basis (instead of monthly) instead of the average monthly balance, the average balance of the statement must be used as the basis for the calculations for 'Average monthly cost of Payment Protection Insurance in the past year' and 'Average monthly cost of Payment Protection Insurance for every £100 of outstanding balance covered'. The description on the form must not be changed.
4. Where instalments are not required by a Credit Provider, this criterion can be deleted.
5. Where the Stand-Alone Annual Review is for a Short-Term Income Protection Insurance policy, the words 'Payment Protection Insurance' may be replaced with 'Short-term Income Protection'.
6. Where a policy summary is sufficiently succinct to be printed on the reverse of the Annual Review, this can be done and the text 'are in the attached policy summary' should be replaced with 'are on the reverse of this page'. **Policy summary** has the same meaning as in ICOBS.
7. The title of the form cannot be changed but the name of the product may be given in the line immediately following the title in place of the words 'this insurance'.
8. Age should be given as a whole number as at the Policyholder's last birthday.

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9. Annual cost is the calculation of those payments received over the course of the previous year. The average monthly cost is the calculation of the average monthly cost over the period the statement refers to. Average outstanding balance is the mean of the outstanding balances shown on the monthly Credit Card or Retail Credit statements over the period the Annual Review refers to.

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Schedule 3a

Form of Annual Review for PLPPI

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Schedule 3b

Form of Annual Review for SMPPI or MPPI

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Schedule 3c

Form of Annual Review for CCPPI from the credit provider

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Schedule 3d

Form of Annual Review for Retail PPI from the credit provider

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Schedule 3e

Form of Annual Review for a Stand-Alone or Short-Term IP Provider

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Schedule 4

Personal PPI Quote

Instructions for quotes

1. The form of the quotes that follow must be used for the format of the quote provided by any PPI Provider pursuant to Article 7 and in particular:
 - (a) no text should be omitted or amended;
 - (b) presentation must be clear and **easily** legible and prominence must be given to text shown in bold;
 - (c) information on free-standing or optional PPI policy features should be provided separately in accordance with any relevant best practice guidelines and/or ICOBS requirements;
 - (d) where square brackets and italics indicate that certain specific information is to be provided (for example, company logo, reference, dates, how long the quote is valid for, PPI details, website address or telephone number), then the credit arranger should use its own PPI Provider-specific information to complete these sections where this is relevant. If no PPI Provider-specific information is available (for example, PPI is not sold via the Internet). then those criteria can be deleted; and
 - (e) colour and shading of the text can be adjusted so long as the other instructions of this schedule are not affected.
2. It is possible to include additional types of cover as relevant, but the quote must always specify Life, Accident & Sickness and Unemployment cover **as applicable**. If PPI is not provided for any of these three types of cover, then this must be specified. Details of any additional types of cover must follow the specification of Life, Accident & Sickness and Unemployment cover. All integral features of the type of cover provided must be stated (for example, what is paid in the event of a claim).
3. ~~If the total cost of PPI is the same as the annual cost of PPI, it need not be included separately.~~
4. Where instalments are not required by a Credit Provider, this criterion can be deleted.
5. Where the Stand-Alone quote is for a Short-Term IP Policy, the words 'Payment Protection Insurance' may be replaced with 'Short-term Income Protection'.
6. Where a policy summary is sufficiently succinct to be printed on the reverse of the statement, this can be done and the text 'are in the attached policy summary' should be replaced with 'are on the reverse of this page'. **Policy summary** has the same meaning as in ICOBS.
7. The title of the form cannot be changed but the name of the product may be given in the line immediately following the title in place of the words 'this insurance'.
8. Annual cost is the estimated or actual annual cost of the PPI being quoted. Monthly cost is estimated or actual monthly cost of the PPI being quoted.

Comment [A23]: A credit card agreement has only one APR (calculated on the basis of purchases) – not multiple APRs

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- | 9. Where PPI is offered to more than one Consumer including a joint or group discount, the Personal PPI Quote for each Consumer shall include that portion of any such discount as is appropriate.

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Schedule 4a

A personal PPI quote for PLPPI

Quote for optional payment protection insurance

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Schedule 4b

A personal PPI quote for SMPPI or MPPI

Quote for optional payment protection insurance

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Schedule 4c

A personal PPI quote for a CCPPI

Quote for optional payment protection insurance

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Schedule 4d

Personal PPI quote for Retail PPI

Quote for optional payment protection insurance

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Schedule 4e

A personal PPI quote for a Stand-Alone PPI or Short-Term IP

Quote for payment protection insurance or short-term income protection

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Schedule 5a

Contents of ~~six-monthly~~ Compliance Reports

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1. The Compliance Report shall, subject to any additional or different requirements that the OFT may impose pursuant to [Schedule 6](#), include:
 - (a) annual GWP by PPI Product Type;
 - (b) Penetration Rates, by PPI Product Type;
 - (c) Claims Ratios, by PPI Product Type;
 - (d) the percentage of PPI Policyholders of the PPI Provider whose Credit is with another Distributor;
 - (e) the percentage of PPI Policyholders who received a Personal PPI Quote from the PPI Provider and subsequently purchased PPI from the PPI Provider;
 - (f) the percentage of PPI Policyholders who received a Personal PPI Quote and follow-up from the PPI provider at or after the end of the Prohibition Period and do not take PPI from the PPI provider;
 - (g) confirmation that the requirement in Article 6.2 that an explanation of how Claims Ratios have been calculated is in plain English and this may be satisfied by the explanation being certified as such by an independent organization specializing in plain English;
 - (h) steps taken to ensure compliance;
 - (i) representative samples of Marketing Materials including sales scripts;
 - (j) details of any incidences of non-compliance and steps taken to rectify this;
 - (k) details of training of staff regarding compliance; and
 - (l) details of internal compliance monitoring systems.

Schedule 5b

Contents of annual Compliance Reports

1. The Compliance Report shall, subject to any additional or different requirements that the OFT may impose pursuant to [Schedule 6](#), include:
 - (a) Annual GWP by PPI Product Type;
 - (b) Penetration Rates, by PPI Product Type;
 - (c) Claims Ratios, by PPI Product Type;
 - (d) the percentage of PPI Policyholders of the PPI Provider whose Credit is with another Distributor;
 - (e) the percentage of PPI Policyholders who received a Personal PPI Quote from the PPI Provider and subsequently purchased PPI from the PPI Provider;
 - (f) the percentage of PPI Policyholders who receive a Personal PPI Quote and follow-up from the PPI provider at or after the end of the Prohibition Period and do not take PPI from the PPI provider;
 - (g) confirmation that the requirement in Article 6.2 that an explanation of how Claims Ratios have been calculated is in plain English and this may be satisfied if certified as such by an independent organization specializing in plain English;
 - (h) steps taken to ensure compliance;
 - (i) representative samples of Marketing Materials including sales scripts;
 - (j) for a PPI provider meeting the requirements in [Schedule 5a](#), a report on the clarity of Marketing Material in accordance with Article 14;
 - (k) details of any incidences of non-compliance and steps taken to rectify this;
 - (l) details of training of staff regarding compliance;
 - (m) details of internal compliance monitoring systems; and
 - (n) for a PPI Provider meeting the requirement, a report of the annual mystery shopping exercise as required by Article 13.

Schedule 5c

Specifications of mystery shopping exercise

1. The mystery shopping exercise shall be undertaken by an Independent Market Research Agency.
2. The Independent Market Research Agency shall apply for PPI from the Credit Arranger for each PPI product type offered by the Credit Arranger in each of the following ways (where PPI is offered in any of these ways):
 - (a) at least 20 separate applications by telephone; and
 - (b) at least 20 separate applications by personal branch visits; and
 - (c) at least 20 separate applications through the Credit Arranger's website.
3. The mystery shopping exercise shall provide information on the following issues:
 - (a) whether the consumer was prompted to buy PPI at the same time as arranging the Credit; and
 - (b) whether it is made clear to the consumer that:
 - (i) the consumer could return to purchase PPI from 24 hours after the conclusion of the Credit Sale or, if later, the provision of a Personal PPI Quote; and
 - (ii) the Personal PPI Quote continues to be valid for at least 14 days after it was provided; and
 - (c) whether the oral disclosures required by Article 3.7 were made prominently;
 - (d) whether the Personal PPI Quote was received in the form relevant for the PPI product type and consistent with the requirements of Article 7 and Schedule 4; and
 - (e) where the consumer obtains Retail PPI, if Retail PPI is offered separately to Merchandise Cover.
4. Any information on any issues identified by the Independent Market Research Agency may be investigated, verified and commented on by the Credit Arranger alongside the report which is provided to the OFT. Any one verified non-compliant mystery shop will constitute evidence of non-compliance with the Order.

Schedule 6

Supply of information to the OFT

1. Any person to whom this Order applies is required to provide to the OFT any information and documents required for the purposes of enabling the OFT to monitor the carrying out of this Order or any provisions of this Order and/or to review the effectiveness of the operation of this Order, or any provision of this Order.
2. Any person to whom this Order applies may be required by the OFT to keep and produce those records specified in writing by the OFT that relate to the operation of any provisions of this Order.
3. Any person to whom this Order applies and whom the OFT believes to have information which may be relevant to the monitoring or the review of the operation of any provisions of this Order may be required by the OFT to attend and provide such information in person.
4. The OFT may publish any information or documents that it has received in connection with the monitoring or the review of this Order or any provisions of this Order for the purpose of assisting the OFT in the discharge of its functions under or in connection with this Order.