



# News Release

35/08

21 November 2008

## RETAIL PPI—PROVISIONAL DECISION ON REMEDIES

The Competition Commission (CC) has today published for consultation its proposed remedies designed to increase competition in the retail payment protection insurance (PPI) market.

Retail PPI is a small part<sup>1</sup> of the overall PPI market relating to protection taken out on repayments for shopping through home catalogues. Although part of the ongoing investigation into the whole PPI market, the CC published its provisional findings on retail PPI separately last month.

The report concluded that, as with other types of PPI policy, retail PPI is highly profitable for distributors and there is little competition between providers on price and other factors, limited ability for customers to search for alternatives or switch products and a considerable point-of-sale advantage for the providers. At that time, the CC also published a Notice of Possible Remedies for retail PPI, inviting views on how best to remedy the problems identified. The notice included most of the remedies consulted on for other types of PPI policies.

Following discussions with providers and other interested parties, the CC is now proposing a package of measures which it considers will be practical and effective in increasing competition in the market to the benefit of customers. These are set out in full on the CC website at [www.competition-commission.org.uk](http://www.competition-commission.org.uk).

The proposed remedies for retail PPI closely match those published last week for the rest of the PPI market, with two exceptions: there is also an obligation to offer PPI separately from merchandise cover, which is typically also offered to catalogue shoppers; and there is no ban on single-premium policies, as all retail PPI policies are covered by monthly premiums.

The package of measures includes:

- an obligation on distributors to offer PPI separately where PPI and merchandise cover are both offered;

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<sup>1</sup>In 2007 the gross written premium (GWP) paid by customers for retail PPI was £73 million. In 2006 the GWP for all other forms of PPI was £4.5 billion.

- a prohibition on the active sale of PPI by a distributor to a customer within 14 days of the distributor selling credit to that customer. This will address the point-of-sale advantage, and give the customer more opportunity to compare products and providers, in turn encouraging greater competition between providers. Whilst the distributor cannot re-contact the customer for 14 days, customers will be able proactively to contact the distributor and purchase a policy 24 hours after the credit sale.
- a requirement on retail credit providers to provide a 'personal PPI quote', which will clearly state the cost of the PPI policy individually and when added to the credit product. If this is not given at the credit point of sale, the credit provider must do so if they subsequently contact the customer to offer PPI, and the prohibition period starts from the date on which the personal PPI quote is provided to the customer;
- a requirement on all PPI providers to provide certain information and messages in PPI advertisements (including the price of their PPI, expressed in a common format of monthly cost per £100 of monthly benefit, as well as monthly cost of PPI per £100 outstanding balance, and that PPI is optional and available from other providers);
- a requirement on all PPI providers to provide certain information on PPI policies to the Financial Services Authority (FSA), the OFT and to the public, and a recommendation to the FSA that it uses this information to populate its PPI price comparison tables; and
- a requirement on distributors to provide an annual statement for PPI customers, including information similar to that provided in the personal quote, to encourage customers to review their policy annually and make it easier for customers to decide whether to switch.

The CC would like to hear from all interested parties about the document by 12 December 2008.

To submit evidence, please email [PPI@cc.gsi.gov.uk](mailto:PPI@cc.gsi.gov.uk) or write to:

The Inquiry Secretary  
(PPI investigation)  
Competition Commission  
Victoria House  
Southampton Row  
LONDON  
WC1B 4AD

### Notes for editors

1. The CC is an independent public body, which carries out investigations into mergers, markets and the regulated industries.
2. PPI covers repayments on credit products if the borrower is unable to do so due to loss of earnings as a result of accident, sickness, unemployment or (in many cases) death. PPI is sold to cover a variety of financial products, but over 90 per cent of PPI sold in the UK in 2006 was either personal loan PPI, credit card PPI, mortgage PPI or second-charge mortgage PPI.
3. Enquiries should be directed to Rory Taylor on 020 7271 0242 or [rory.taylor@cc.gsi.gov.uk](mailto:rory.taylor@cc.gsi.gov.uk).

4. The members of the PPI inquiry group are Peter Davis (Group Chairman and CC Deputy Chairman), John Baillie, Christopher Bright, Professor John Cubbin and Richard Farrant.
5. The OFT referred the PPI market for investigation by the CC in February, following its initial study into the sector in response to a 'super-complaint' from Citizens Advice. Under the Enterprise Act 2002, the OFT can make a market investigation reference to the CC if it has reasonable grounds for suspecting that competition is not working effectively in that market.
6. Following such a reference, the CC carries out a comprehensive investigation, so that it can ultimately come to a final decision about whether any features of the market prevent, restrict or distort competition and, if so, what action might be taken to remedy these.
7. Market investigation references are intended to focus upon the function of a market as a whole rather than the conduct of a single firm in a market. If the OFT has concerns about the conduct of a single firm or firms that have engaged in anti-competitive agreements, it will first consider whether those actions infringe the Competition Act 1998.