

Advantages of single-premium PPI policies

1. The purpose of this appendix is to set out the views we received from parties on the advantages to customers of single-premium PPI policies.
2. We were told¹ that single-premium policies benefit consumers in the following ways:
 - (a) The insurance continues irrespective of the financial circumstances of the consumer. (This is in contrast with regular-premium PPI where, if the consumer is in default of the regular PPI premium and suffers a claimable event, there is no insurance cover.)
 - (b) The price of single-premium PPI is fixed at the outset while the price of regular-premium PPI can be increased by the provider by giving consumers 30 days' notice.
 - (c) Single-premium PPI cannot be cancelled by the provider if the customer's circumstances change, while regular-premium PPI cover might not be renewed by the provider.
3. A large distributor [REDACTED] conducted an internal evaluation of a proposal to introduce a monthly-premium PPI product to substitute for its current single-premium PPI product for second-charge mortgages. One of the documents it provided to us listed features of single-premium policies and the benefits of offering this type of product for its business, [REDACTED]. The benefits listed included the following:
 - (a) Depending on refund policy, income can be significantly greater with single premium policies.

¹[REDACTED]; [REDACTED] internal documents on [REDACTED]; RBSG only mentioned points (a) and (b); RBSG's response to Emerging Thinking; Cattles response to the Issues statement, paragraph 3.9; and post-issues hearing summary , paragraph 24 (point (a)).

- (b) With regular-premium insurance, there is less money available up front than with single-premium policies, which means that investment income is significantly reduced.
- (c) With regular-premium policies, gross borrowing reduces as the customer does not need to finance the insurance premium up front.
- (d) Given the relative ease of cancellation, settlement of insurance is more likely with a monthly-premium product.