

Characteristics of consumers of PPI

1. This appendix provides a summary of the characteristics of those consumers who buy PPI and the reasons they say they do so.

Consumer statistics

Mintel survey

2. In January 2007 Mintel published the results of a survey it had commissioned into creditor insurance.¹
3. Table 1 shows the PPI penetration rates by gender, age and socio-economic group which the Mintel survey found.

TABLE 1 PPI penetration by gender, age and socio-economic group, October 2006

	<i>Mortgage</i>	<i>Credit card</i>	<i>Personal loan</i>
Base: all respondents with relevant credit product	630	941	270
			<i>per cent</i>
All	45	21	38
<i>Gender</i>			
Men	44	21	40
Women	47	21	36
<i>Age</i>			
18–24	59	24	45
25–34	57	22	30
35–44	49	30	46
45–54	40	20	31
55–64	32	18	35
65+	5	10	23
<i>Socio-economic group</i>			
AB	39	13	19
C1	49	25	43
C2	48	25	39
D	51	23	52
E	5	15	42

Source: NOP/Mintel.

¹Mintel, *Creditor Insurance, Finance Intelligence, January 2007, page 63.*

4. The survey found that consumers who buy PPI to cover mortgages (MPPI), credit cards (CCPPI) are most likely to come from socio-economic groups C and D. Consumers who buy PPI to cover personal loans (PLPPI) are most likely to come from socio-economic group D.
5. Mintel also found that PPI sales by credit product varied with age, with the highest sales rates as follows:
 - (a) MPPI—18- to 24-year-olds (59 per cent) and 25- to 34-year-olds (57 per cent);
 - (b) CCPPI—35- to 44-year-olds (30 per cent); and
 - (c) PLPPI—35- to 44-year-olds (46 per cent) and 18- to 24-year-olds (45 per cent).

CC survey

6. Table 2 shows the demographic profile of PPI consumers for different PPI products, as measured by the quantitative survey which was undertaken on behalf of the CC by the market research agency BMRB.²

TABLE 2 **PPI consumers: demographic profile by product type**

	<i>MPPI</i>	<i>SMPPi</i>	<i>PLPPI</i>	<i>CCPPI</i>
<i>Age</i>				
18–24 (%)	1	1	9	13
25–34 (%)	21	21	22	22
35–44 (%)	35	40	26	28
45–54 (%)	30	29	24	23
55+ (%)	12	9	19	13
<i>Income</i>				
Up to £25,000 (%)	57	50	71	71
£25,000–£50,000 (%)	34	43	23	24
£50,000–£75,000 (%)	4	4	2	1
£75,000+ (%)	1	1	0	0
Refused (%)	4	2	4	4

Source: BMRB customer survey prepared for CC February 2007.

Base: 2,283 respondents.

7. The CC survey found that for each PPI product the age group most likely to purchase all types of PPI was 35–44 years, as follows:

²The full report of the survey is available on the CC website:
www.competition-commission.org.uk/inquiries/ref2007/ppi/consumer_research.htm.

- MPPI—35 per cent;
 - SMPPI—40 per cent;
 - PLPPI—26 per cent; and
 - CCPPI—28 per cent.
8. That age group was followed, quite closely for PLPPI and CCPPI, by the age group 45–54 years, as follows:
- MPPI—30 per cent;
 - SMPPI—29 per cent;
 - PLPPI—24 per cent; and
 - CCPPI—23 per cent.
9. The CC survey also found that, in terms of income, the largest proportion of PPI holders of all types are in the lowest income bracket considered, up to £25,000 a year:
- MPPI—57 per cent;
 - SMPPI—50 per cent;
 - PLPPI—71 per cent; and
 - CCPPI—71 per cent.

Datamonitor research

10. Table 3 indicates the results of research undertaken by Datamonitor³ in 2006. It shows that personal loan holders with an income of between £15,499 and £24,999 were most likely to have PPI (55 per cent), followed by those customers with an income of less than £15,499 (41 per cent). In contrast, only 13 per cent of loan holders earning over £50,000 had a PPI policy.

³Datamonitor analysis of Ipsos MORI, *UK Creditor Insurance 2007*, July 2007.

TABLE 3 Proportion of group who held PPI by income 2006

	<i>Hold PPI to cover loan %</i>
Under £15,499	41
£15,500–£24,999	55
£25,000–£39,999	29
£40,000–£49,999	9
£50,000+	13

Source: Datamonitor analysis of Ipsos MORI.

GfK NOP Financial Resources Survey

11. We also reviewed the Financial Resources Survey (FRS) conducted by GfK NOP for PPI penetration rates by demographics. The results of that survey are shown in Table 4.

TABLE 4 PPI penetration by demographics, 2006/07

	<i>MPPI</i>	<i>CCPPI</i>	<i>PLPPI</i>	<i>SMPPPI</i>
<i>All credit holders ('000)</i>	3,180	2,878	2,502	349
	<i>per cent</i>			
All	44	18	26	52
<i>Gender</i>				
Male	45	18	26	56
Female	43	18	26	47
<i>Age</i>				
18–24	47	23	33	48
25–34	50	20	26	53
35–44	43	17	27	56
45–54	40	16	50	43
55–64	34	14	22	75
65+	7	8	9	30
<i>Socio-economic group</i>				
A	31	14	31	60
B	40	14	19	36
C1	44	17	30	58
C2	50	21	36	62
D	45	25	33	52
E	32	14	8	27

Source: CC analysis of GfK NOP Financial Resources Survey data.

Base: All holding relevant credit product arranged in the 12 months previous to the interview. Based on interviews conducted during the 12 months ending May 2007

12. The GfK survey indicates that take-up of PPI is not strongly associated with gender; SMPPPI has the highest take-up rates, with over half of those with a second charge

mortgage also taking PPI. This is followed by MPPI, with 44 per cent of those with a mortgage taking PPI. Around a quarter of consumers with a personal loan took PPI, and less than 20 per cent of consumers with a credit card bought PPI.

13. Consumers in the age group 25–34 years were the most likely to buy MPPI; those aged 18-24 years were the most likely to buy CCPPI; for PLPPI the age group most likely to buy PPI was 45–54 years; and for SMPPI it was those aged 55–64.
14. For all categories of PPI consumers in the socio-economic groups C2 or D were the most likely to purchase.
15. We received some evidence from parties about the types of consumers most likely to purchase PPI. HSBC told us⁴ that PPI was more likely to be purchased by customers who:
 - (a) had an average income or slightly lower;
 - (b) had dependants;
 - (c) had little or no savings;
 - (d) had previously been unemployed for a period of time; and
 - (e) had previously made a successful claim on a PPI policy.
16. HBOS told us that in 2005 the mean savings of a customer who purchased PPI were £1,093; and the mean savings of a customer who did not purchase PPI were £2,807.
17. We also saw research which measured the importance of the different types of cover typically offered with PPI (A, S, U or L) to a customer's decision to buy PPI.

⁴Comments on issues statement, 4.6, 1 June 2007.

18. RBSG provided us with the results of a customer survey which indicated that more than half of the customers interviewed who bought PLPPI were equally interested in all the covers offered by the insurance. In particular, those customers who have bought PPI since the FSA implemented the ICOB rules in 2005, and borrowed more than £10,000 over more than five years, were most interested in the combined PPI product.
19. A minority of PPI customers appeared to be most interested in only accident and sickness cover (14 to 31 per cent) or only unemployment cover (16 to 25 per cent). A smaller percentage of customers were only interested in life cover (4 to 14 per cent) or critical illness cover (0 to 6 per cent).
20. The CC quantitative survey referred to in paragraph 7 found that respondents most valued protection against sickness and unemployment, although protection against accident and death were also cited as important elements of the cover.

Reasons for purchasing PPI

21. The reasons that consumers give for purchasing PPI are varied. Our qualitative survey undertaken by BMRB⁵ addressed, inter alia, that issue, as did a survey undertaken by the OFT⁶ and a number of surveys we received from the parties.
22. The OFT survey found that the majority of customers chose to buy PPI because it gave them peace of mind.
23. The results of surveys commissioned by both the FLA and HBOS indicated that security and reluctance to rely on others for financial support were the two factors

⁵BMRB, *Payment Protection Insurance Market Investigation Qualitative research into consumer experience*, Report October 2007.

⁶Office of Fair Trading, *Payment Protection Insurance*, October 2006; Appendix B, report produced by GfK NOP 'Research into Consumer's Experience of Payment Protection Insurance', October 2006.

which most influenced customers when they were considering buying PPI. The results of the surveys also indicated that customers were more likely to be concerned about their ability to meet repayments if their loan was taken over a long time period or was a large amount.

24. We saw two surveys in which some customers⁷ pointed to good value for money as the reason they decided to buy PPI. The majority said that they were satisfied with the cost of the policy and the extra amount it added to their monthly payments. However, the OFT survey found that just over half of the PPI holders surveyed agreed that PPI was expensive.⁸

25. The CC's qualitative survey found that some participants in the survey described themselves as 'worriers' and said that PPI put their minds at ease that support would be available if they could not meet their loan repayments. Other participants described themselves as 'insurance addicts' and said that they were regular purchasers of insurance generally. They also said insurance put their minds at ease that any type of disaster would be taken care of. One participant said, 'I'm a bit of an insurance addict ... it gives me peace of mind for if and when that rainy day comes'.

⁷OFT GfK NOP 2006—2% of customers surveyed who held a PPI product (base 981); FSA CPOS November 2007—11% of customers surveyed who held a PPI product (237).

⁸Office of Fair Trading, *Payment Protection Insurance*, October 2006; Appendix B, report produced by GfK NOP 'Research into Consumer's Experience of Payment Protection Insurance', October 2006.