



# News Release

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## PPI — CC CONSULTS ON DRAFT ORDER

The Competition Commission (CC) has today published a draft order for consultation setting out how measures to introduce competition into the Payment Protection Insurance (PPI) market will be implemented.

The measures were outlined when the CC published its final report into PPI in January this year, concluding that businesses that offer PPI alongside credit face little or no competition when selling PPI to their credit customers.

To address the lack of competition, the CC announced its intention to introduce a package of measures to bring competition in the market including:

- A prohibition on the sale of PPI during the sale of the credit product and for seven days afterwards;
- A prohibition on single-premium policies; and
- Personal PPI quotes, annual reviews and other measures to make sure that improved information is available to consumers to make it easier for them to compare and search for products and switch policies at a later point.

Although the CC's decision and proposed measures have since been appealed to the Competition Appeal Tribunal (CAT) by Barclays<sup>1</sup>, the CC has started consultation on the detailed implementation of the changes to enable it to move quickly once the appeal is finalised and it has considered the CAT's judgment. The appeal hearing takes place from September 7-10. The CC has already carried out consumer research in order to ensure that the improved customer information contained in PPI quotes and annual reviews is set out in a clear and easily understandable format.

Peter Davis, Inquiry Chairman and CC Deputy Chairman, said:

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<sup>1</sup> The Financial Services Authority (FSA) is intervening in support of the Competition Commission, whilst LloydsTSB and Shop Direct Group Financial Services Ltd are supporting Barclays. For more details on the Appeal visit: [www.catribunal.org.uk/237-3732/1109-6-8-09-Barclays-Bank-PLC.html](http://www.catribunal.org.uk/237-3732/1109-6-8-09-Barclays-Bank-PLC.html)

“Whilst we are waiting for the outcome of the appeal, we are pressing ahead with the detailed work needed to put these measures in place. By continuing with the necessary preparations like this, we can hit the ground running once the appeal is finalised and we have considered the CAT’s judgment. If the CAT supports our findings, taking these steps now will help ensure there is no unnecessary delay in resolving the significant competition issues that we found in this market and in delivering a better outcome for consumers.

This public consultation is an opportunity for all PPI providers and others with an interest in the effective operation of PPI markets to comment on the way in which we plan to implement these important measures.”

The draft order is available at [www.competition-commission.org.uk](http://www.competition-commission.org.uk) and outlines how the measures detailed below will be implemented.

- A prohibition on the sale of PPI by a distributor or intermediary to a customer at the point of sale of credit and within seven days of 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 or intermediary cannot re-contact the customer for seven days, customers *will* be able to contact the distributor or intermediary and purchase a PPI policy on their own initiative from 24 hours after the credit sale.
- Distributors and intermediaries will be required 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 point of sale, the credit provider must provide it if they subsequently contact the customer to offer PPI. The seven-day prohibition period starts from the later of the conclusion of the credit sale or the date on which the personal PPI quote is provided to the customer.
- A prohibition on the selling of single-premium PPI policies, whose rebate terms act as a barrier to consumers switching while the prices of these policies are unduly difficult to compare with other PPI policies. Premiums can be charged monthly or annually—if an annual premium is charged and the customer decides to terminate the policy, then a pro-rata rebate must be reimbursed. No separate charges can be levied on a customer for administration or other costs arising from the set-up or early termination of a PPI policy.
- A requirement on all PPI providers to provide certain information and messages in PPI marketing material (including the price of their PPI, expressed in a common format of monthly cost per £100 of monthly benefit, 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 FSA and a recommendation to the FSA that it uses this information for its PPI price comparison tables. Providers will also be required to supply information to the OFT for the purpose of monitoring the remedies package and to provide information about their claims ratios to any person on request.
- A requirement on all PPI providers to provide an annual review 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.
- Where distributors of retail PPI offer an insurance package containing PPI and merchandise cover, they must also offer, as a separate item, PPI cover alone.

Comments on the draft order are now invited by 7 August 2009. They should be made in writing to [PPI@cc.gsi.gov.uk](mailto:PPI@cc.gsi.gov.uk) or:

The Inquiry Secretary  
PPI Market Investigation  
Competition Commission  
Victoria House  
Southampton Row  
LONDON  
WC1B 4AD

The CC will consider these comments before finalising the order.

In its final report, the CC stated that the vast majority of the UK's more than 12 million PPI policies are sold at the same time as a consumer takes out a loan, credit card or other type of credit. The CC found that many consumers are unaware that they can buy PPI from other providers, rarely shop around to compare prices and terms and conditions of PPI policies, and rarely switch PPI providers. The resulting 'point-of-sale' advantage makes it difficult for other PPI providers to reach credit providers' customers and in the absence of such competitive pressure, consumers are charged high prices.

During the inquiry, the CC liaised closely with the industry regulator, the FSA, which takes the lead on regulating sales practices and tackling mis-selling, as well as the Financial Ombudsman Service (FOS), which deals with consumer disputes. The CC's focus was been on examining whether there is effective competition in the market as a whole.

For more details on the final report and the inquiry as a whole please visit:  
[www.competition-commission.org.uk/inquiries/ref2007/ppi/index.htm](http://www.competition-commission.org.uk/inquiries/ref2007/ppi/index.htm)

### **Notes for editors**

1. The CC is an independent public body, which carries out investigations into mergers, markets and the regulated industries.
2. The members of the PPI inquiry group were Peter Davis (Group Chairman and CC Deputy Chairman), John Baillie, Christopher Bright, Professor John Cubbin and Richard Farrant.
3. PPI covers repayments on credit products if the borrower is unable to make repayments due to 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 2007 was either: unsecured personal loan PPI, credit card PPI, mortgage PPI or secured loan PPI.
4. The CC published its report on 30 January 2009. On 30 March 2009, Barclays Bank PLC filed an appeal with the Competition Appeal Tribunal regarding the CC's decisions in that report, in particular the inclusion of a point of sale prohibition as part of the remedies package. That appeal is still pending and hearings have been scheduled for 7 to 10 September 2009. Without prejudice to the outcome of that appeal, the CC has decided to commence the consultation process to ensure swift implementation of the remedies in the event that the Competition Appeal Tribunal upholds the CC's findings.
5. 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).