

## The Citizens Advice super-complaint

1. The purpose of this appendix is to provide a brief summary of the super-complaint lodged by Citizens Advice with the OFT on 13 September 2005 regarding PPI and to explain the OFT's response to the super-complaint.

### The content of the super-complaint

2. The super-complaint was based on the Citizens Advice report *Protection racket: CAB evidence on the cost and effectiveness of payment protection insurance*. Citizens Advice said that the evidence presented in its report suggested that features of the PPI market were seriously harming the interests of consumers.
3. The specific issues raised by Citizens Advice in its super-complaint were varied. Its four primary areas of concern which the OFT considered were:
  - consumers paid excessively high prices for PPI;
  - the protection consumers bought was only partial, and many policies unreasonably excluded common causes for default;
  - consumers were often missold PPI using pressure and unfair sales tactics; and
  - the administration of PPI claims was slow and unfair, and often left consumers facing additional charges or serious debt enforcement action.
4. The super-complaint included recommendations that the OFT take the following steps:
  - undertake a market investigation into PPI;
  - produce guidance for consumer credit licence holders on the minimum standards which would be required for sales and content of PPI policies;
  - take regulatory action with regard to PPI policies which were linked to hire purchase and conditional sale agreements, where borrowers who had tried to exercise their termination rights under sections 99 and 100 of the Consumer Credit Act had been told that they could not cancel the linked PPI or receive a refund of the premium or end any loan which funded the policy early; and
  - work with the FSA to develop a joint strategy for the regulation of PPI.

### The OFT's response to the super-complaint

5. The OFT responded to the super-complaint on 8 December 2005. In its response it undertook to conduct a market study.
6. The market study commenced in April 2006 and examined how well the PPI industry delivered choice and value to consumers. During its conduct of the market study the OFT took account of the views of the PPI industry, relevant trade associations and consumer organizations.

7. The findings of the OFT's market study were that PPI was a sizeable market with gross premiums of approximately £5.5 billion a year. The OFT found indications that consumers received poor value in that a low proportion of policy premiums were paid out in claims and it identified features of the market which it considered adversely affected competition and appeared to lead to poor value. The OFT said that the evidence suggested that the way in which consumers purchased PPI, their understanding of the product and the quality of information available to them hindered competition.
8. On 19 October 2006 the OFT signalled its intention to refer the UK PPI market to the CC, and published its analysis for consultation prior to making a final decision in that regard.
9. The period for consultation on the OFT's document 'Payment protection insurance: Report on the market study and proposed decision to make a market investigation reference: October 2006' ended on 30 November 2006.
10. On 7 February 2007 the OFT referred the supply of all PPI (except store card PPI) to non-business customers in the UK to the CC for investigation under section 131 of the Enterprise Act 2002.