

### 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 told<sup>1</sup> 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]<sup>2</sup> conducted an internal evaluation of a proposal to introduce a monthly-premium PPI product to substitute for its 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.
  - (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.
4. In the responses we received to our Notice of Possible Remedies published on 5 June 2008 parties told us that the advantages of single premium policies included:
  - (a) the customer is guaranteed that the price and terms of the PPI policy will not change during the term of the contract;<sup>3</sup>

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<sup>1</sup>[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)).

<sup>2</sup>[redacted]

<sup>3</sup>Responses to provisional findings and remedies notice: Abbey (paragraph 5.3.2); ABI (p11); AXA (paragraph 54); Barclays (p27); BBA (p4); and Lloyds TSB (paragraph 6.15 (i)).

- (b) even if the customer is unable to keep up the monthly repayments on their credit product the PPI has already been paid for so they are covered if a claimable event occurs;<sup>4</sup> and
- (c) single premium PPI policies are able to offer more comprehensive cover than regular premium PPI policies because the risk is front-loaded.<sup>5</sup>

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<sup>4</sup>Responses to provisional findings and remedies notice: Abbey (paragraph 5.3.2); ABI (p11); Barclays (p27); Cattles (p26); Defaqto (p13); and Lloyds TSB (paragraph 6.15 (i)).

<sup>5</sup>Responses to provisional findings and remedies notice: Abbey (paragraph 5.3.2) and Cattles (p26).