

Characteristics of consumers of PPI

1. The purpose of this paper is to provide an overview of the types of consumers who typically buy payment protection insurance (PPI), and their reasons for doing so.
2. Information and data contained in this paper has been compiled largely with reference to industry research and evidence provided to us by the parties.

Consumer statistics

3. The table at Appendix A indicates the results of a survey commissioned by Mintel.¹
4. The survey found that consumers who buy PPI to cover mortgages (MPPI), credit cards (CCPPI) and personal loans (PLPPI) are more likely to come from socio-economic groups C and D.²
5. The Mintel survey also found that gender did not have any real effect on PPI uptake. Women were slightly more likely to hold MPPI, men were more likely to hold PLPPI and there was no difference in CCPPI.²
6. 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);
 - (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).
7. The table at Appendix B indicates the results of research undertaken by Datamonitor³ in 2006. It shows that personal loan holders with an income of between

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

²Ibid p63.

£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.

8. Evidence we have been given by parties supports the results of the research conducted by Mintel and Datamonitor. 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.
9. 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.
10. There is also some research which measures the importance of the different types of cover typically offered with PPI (accident, sickness, unemployment or life) to a customer's decision to buy PPI.
11. 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.
12. In particular, those customers who have bought PPI since the Financial Services Authority (FSA) implemented the Insurance Conduct for Business (ICOB) rules in

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

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

2005, and borrowed more than £10,000 over more than five years, were most interested in the combined PPI product.

13. A minority of PPI customers appeared to be most interested in only accident and sickness (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).

Reasons for purchasing PPI

14. The reasons that consumers give for purchasing PPI are varied. As mentioned above, a number of surveys have been undertaken on that topic, both by industry groups and those companies involved in the PPI sector.
15. The majority of customers said that they chose to buy PPI because it gave them peace of mind.⁵ The results of surveys commissioned by both the Finance and Lending Association (FLA) and HBOS indicated that security and reluctance to rely on others for financial support were the two factors 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.
16. Some customers pointed to good value for money as they reason they decided to buy PPI. The majority claimed to be satisfied with the cost of the policy and the extra

⁵Office 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.

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.⁶

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.

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

	<i>Mortgage</i>	<i>Credit card</i>	<i>Personal loan</i>
Base: all adults 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.

Personal loan consumers holding payment protection insurance, 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.
