

OFT's role in the monitoring and enforcement of the PPI Order

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Markets Policy and Remedies Team, OFT

- What OFT's Markets Policy and Remedies Team does
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What OFT's Markets Policy and Remedies Team does

- Collaborates with the Competition Commission (CC) and others in the design and implementation of market remedies
- Monitors, enforces, and advises on review of, monopoly and market remedies
- Markets work policy and co-ordination

Remedies: OFT's statutory duty

Among other things, we have a statutory duty under section 162 of the Enterprise Act 2002 to monitor and enforce remedies put in place following inquiries by the CC

Monitoring and enforcing PPI Order

In all that follows, bear in mind that that OFT's precise role cannot be settled until the Order is finalised.

However, it's likely to include the following elements:

- making sure compliance reporting and mystery shopping happens
- monitoring trends from compliance reports (more on this later)
- advising consumers of their rights (via FSA; possibly also via Consumer Direct)
- dealing with queries and complaints
- regular discussions with industry reps (ABPI etc)

PPI compliance reporting – figures

PPI providers earning >£30m total annual GWP or >£10m GWP in any PPI category are to supply OFT with:

- sales of each of the different types of PPI (also to be supplied by PPI providers earning >£10m total GWP).
- PPI distributor penetration rates;
- claims ratios;
- % of customers whose credit agreement is with another distributor;
- % of customers who receive a personal PPI quote and who ultimately take PPI from their credit provider
- % of customers who reject a PPI quote, notwithstanding a personal PPI quote and follow up by a credit provider at/after the end of the 7 day period

PPI compliance reporting – other data

To include details of:

- claims ratios calculations to be explained in plain English
- steps taken to ensure compliance
- marketing materials
- details of non-compliance
- staff training

Annual reports should also include

- a report on the clarity of marketing material
- details of internal compliance monitoring systems
- a report on the annual mystery shopping exercise (PPI providers with a total GWP of >£60m only)

PPI compliance reporting - timing

- First report due on the first anniversary of Order coming into force
- Next three reports due at 6 month intervals after that
- Fifth report due on the third anniversary of Order coming into force
- Subsequent reports due annually thereafter

What will OFT do with the compliance reporting and mystery shopping data?

- Follow up any apparently uncorrected breaches
- Note trends in PPI sales; claims ratios; proportions of customers buying PPI from their credit provider; levels of compliance
- Look for apparent shocks (e.g. sudden dip in sales) in the market and ask about the reasons for them
- Longer term, use the data to help monitor the impact and effectiveness of the order and any consumer guidance on it

Dealing with breaches of the Order

- If we hear of an alleged breach, or come across apparently uncorrected breaches in compliance reports, we will seek details from the PPI providers concerned about planned/ taken remedial action
- Article 16 of the draft Order provides for the CC to give 'directions' to transgressors.
- Breaches are also actionable in court by anyone affected by them and by OFT (section 167 of the Enterprise Act refers)
- Will be important for companies to do all they can to avoid breaches

OFT contacts

Main contacts in the Markets Policy and Remedies team in the OFT on the PPI Order are currently the following:

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A sunset over a body of water with the word 'QUESTIONS?' overlaid in large white text. The sky is filled with orange and yellow clouds, and the water reflects the colors. A dark shoreline is visible in the foreground.

QUESTIONS?