

Payment Protection Insurance Market Investigation

Quantitative research

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December 2007**



Research Objectives

- To investigate how recent purchasers of PPI identified and compared (if at all) their loan and PPI product combinations with other possible insurance products
- To investigate the reasons that customers terminate their PPI cover prior to repayment of the associated loan, and what different insurance or other financial security measures (if any) they replace it with
- To estimate the extent and prevalence of some of the behaviours and perceptions identified through the qualitative research



Presentation Outline

- Introduction and Objectives
- Research Methodology and Sample
- Background to product purchase
 - Distribution channel
- Customers' knowledge and awareness of PPI product purchased
 - Features and Benefits
 - Product Exclusions
- Purchase Decision and Choice of PPI product
 - Role played by intermediaries
 - Barriers to switching
 - Other Loans/Mortgages and PPI policies taken out
- Awareness and usage of other protection insurance products



- 3 -

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Methodology

- 2,283 CATI interviews conducted among a people who had recently bought PPI
 - 2002 large distributors customers – quota controlled to reflect market share within product type
 - 281 mortgage customers from small distributors and intermediaries
- All sample provided by PPI distributors randomly selected from their customer databases
- Fieldwork dates- 12TH October -14th November
- All respondents were sent a letter from Competition Commission prior to interview explaining purpose of survey
- Survey piloted prior to main study
- Average interview length for main survey- 15 minutes
- Questionnaire covered :
 - respondent's knowledge and understanding of own PPI product and market
 - awareness and usage of other protection products
 - purchasing decisions and choice of PPI provider



- 4 -

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Those who no longer hold PPI

- Some contacts stated on telephone they did not hold a PPI product and never had one, even though they had purchased one in last fifteen months

	16,028
Base: all contacts	%
first charge mortgage sample	8
secured loans/second charge mortgages	10
personal loans sample	7
credit card sample	5

- These contacts did not complete an interview



- 5 -

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Those who no longer hold PPI

- During interview the following customers stated that they had purchased a PPI product in last fifteen months but no longer do hold that product:
 - 7% first charge mortgage sample
 - 16% secured loans/second charge mortgages
 - 11% personal loans sample
 - 17% credit card sample
- When asked why they do not hold policy now usual reason was they had no need of PPI because they had repaid loan and so cancelled the policy
- These customers did go on to answer the survey



- 6 -

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Interviews with PPI Customers

Customers	Sub Total	TOTAL
First Mortgages (MPPI)		477
Large distributors	196	
Small Distributors	200	
Intermediaries	81	
Second Mortgages/Secured Loans (SMPPI) (all large distributors)		617
Personal Loans (PLPPI) (all large distributors)		588
Credit Cards (CCPPI) (all large distributors)		601
Total		2,283



- 7 -

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PPI Customers –Demographic profile differences

Demographics	MPPI	SMPPI	PLPPI	CCPPI
<i>Base:</i>	477	617	588	601
Age	%	%	%	%
18-24	1	1	9	13
25-34	21	21	22	22
35-44	35	40	26	28
45-54	30	29	24	23
55+	12	9	19	13
	%	%	%	%
Income				
Up to £25,000	57	50	71	71
+£25,000 -£50,000	34	43	23	24
+£50,000-£75,000	4	4	2	1
+£75,000	1	1	*	*
Refused	4	2	4	4

Base: all respondents

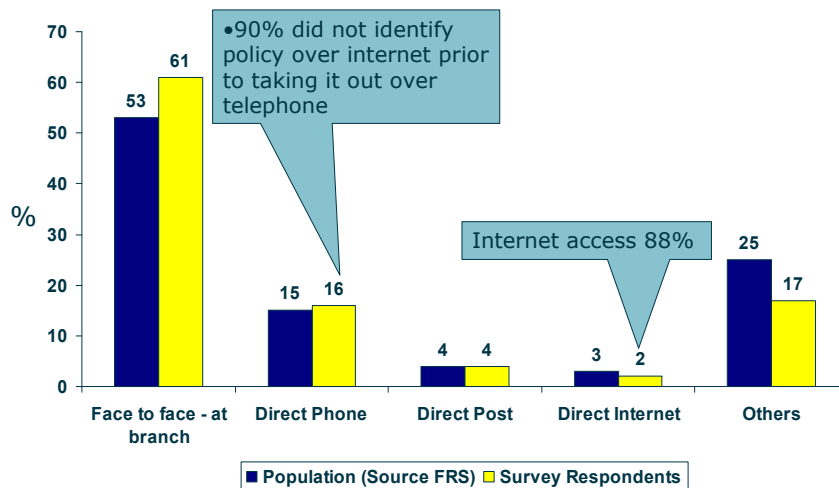


- 8 -

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Background to product purchase

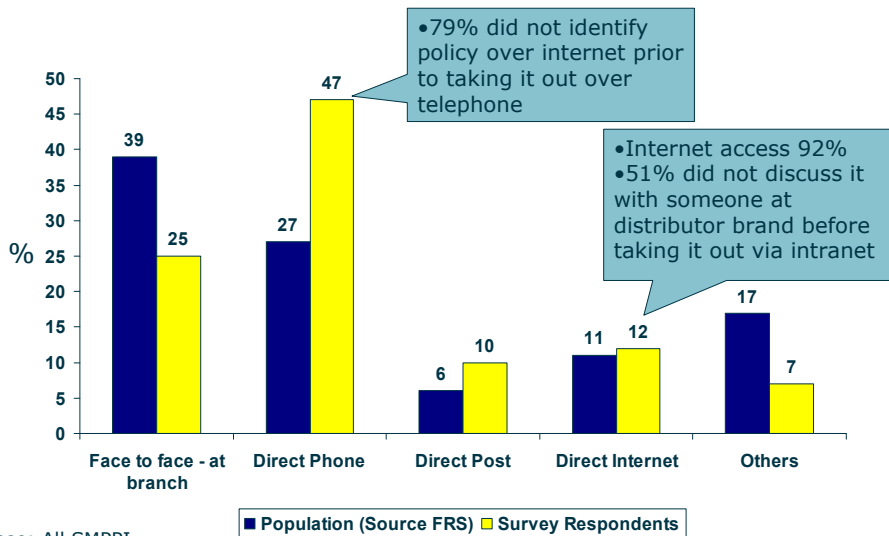
MPPI Sales channel



Base: All MPPI respondents (477)



SMPPPI Sales channel



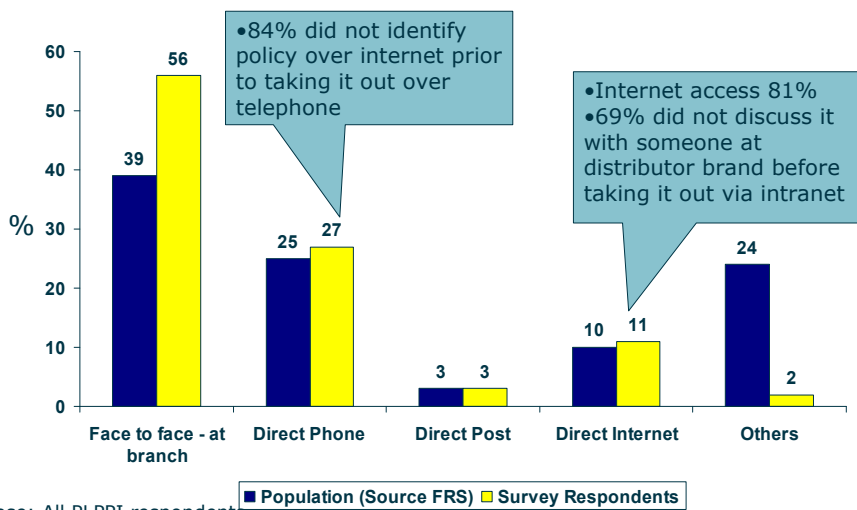
Base: All SMPPPI respondents (617)



- 11 -

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PLPPI Sales channel



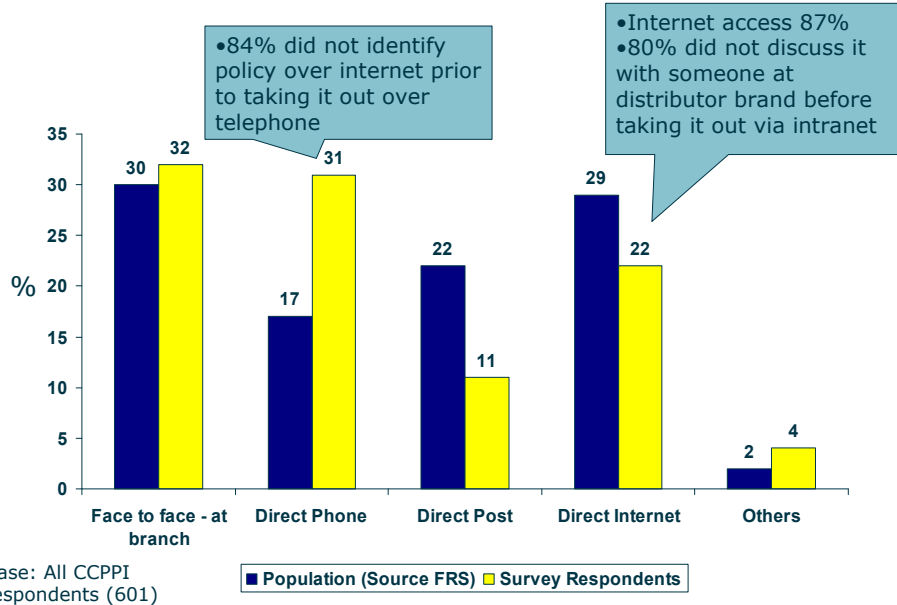
Base: All PLPPI respondents (588)



- 12 -

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CCPPI Sales channel



- 13 -

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Customers' knowledge and awareness of PPI product

MPPI Awareness of Loan size and payment details

- 79% had not seen policy documentation in last month- 45% in last 6 months
- Respondents were confused about details of loan size and PPI payment

- **Amount borrowed** -83% gave an answer
- **Loan period** -84% gave an answer
- **Payment method**
 - 36% Single premium add to loan
 - 51% Separate, regular PPI premium
 - 1% Special/free offer
 - 12% Don't know

- **Monthly premium – loan, interest and PPI**
- -56% gave an answer



- 15 -

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SMPPI Awareness of Loan size and payment details

- 77% had not seen policy documentation in last month- 46% in last 6 months
- **Amount borrowed**
- 80% gave an answer
- **Loan period**
- 84% gave an answer
- **Payment method**
 - 78% Single premium added to loan
 - 13% Separate, regular PPI premium
 - 9% Don't know

- **Monthly premium – loan, interest and PPI**
- 67% gave an answer



- 16 -

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PLPPI Awareness of Loan size and payment details

- 75% had not seen policy documentation in last month- 44% in last 6 months
- **Amount borrowed**
- 80% gave an answer
- **Loan period**
- 91% gave an answer
- **Payment method**
- 74% Single premium added to loan
- 14% Separate, regular PPI premium
- 12% Don't know

- **Monthly premium – loan, interest and PPI**
- 72% gave an answer



- 17 -

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CCPPI Awareness of payment details

- 75% had not seen policy documentation in last month- 45% in last 6 months

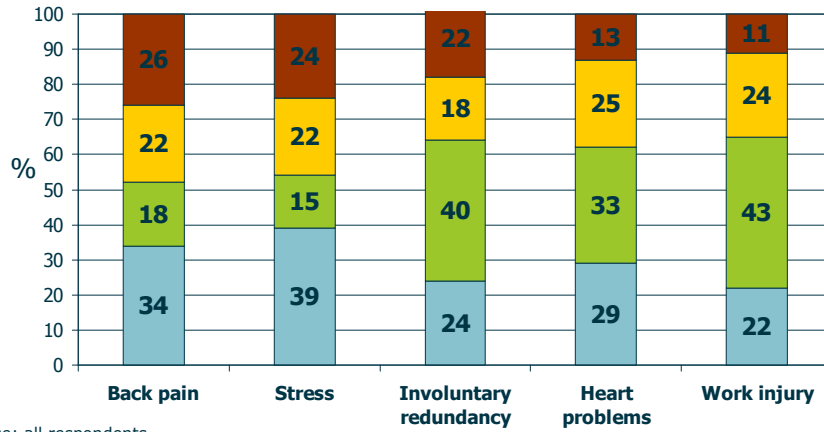
- **Monthly premium – loan, interest and PPI**
- 32% gave an answer



- 18 -

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Awareness of PPI Product Exclusions – All products combined



Base: all respondents
2,283

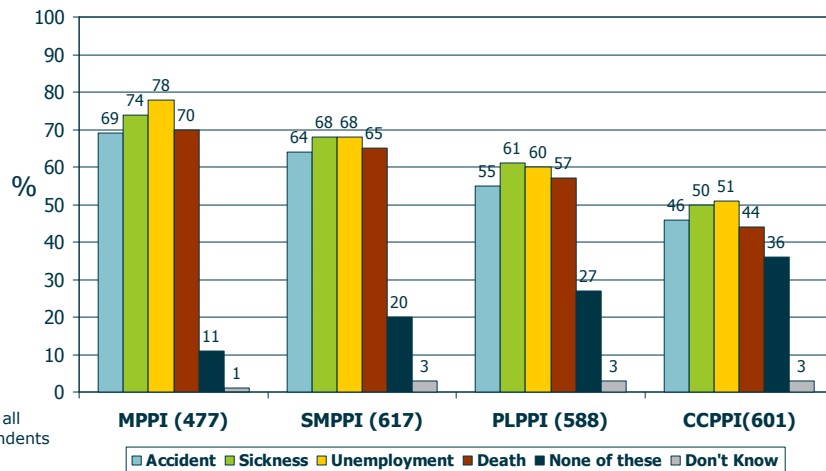
■ Don't know ■ Definitely covered ■ May be covered ■ Definitely not covered



- 19 -

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When taking out PPI, what was respondent particularly concerned to protect loan repayments against – All PPI types



Base: all respondents

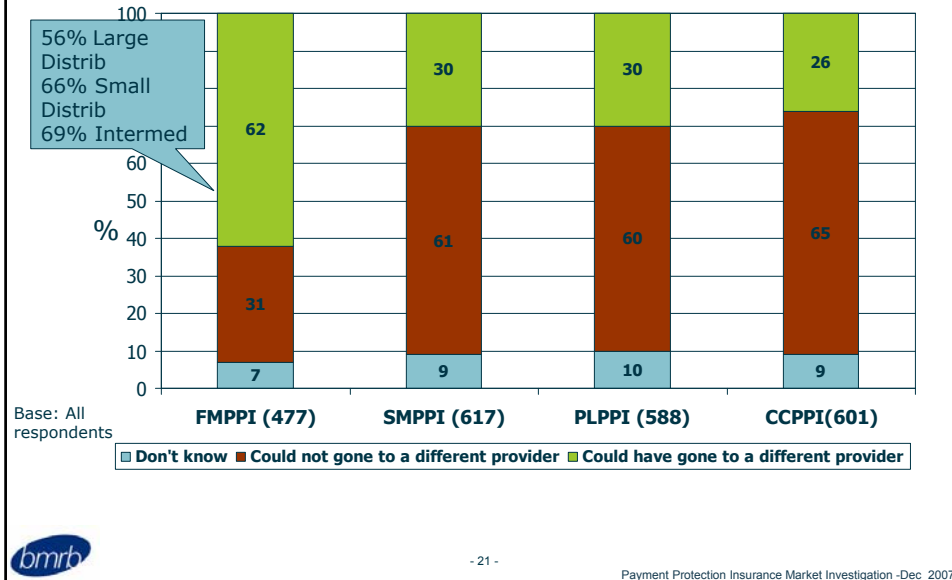
■ Accident ■ Sickness ■ Unemployment ■ Death ■ None of these ■ Don't Know



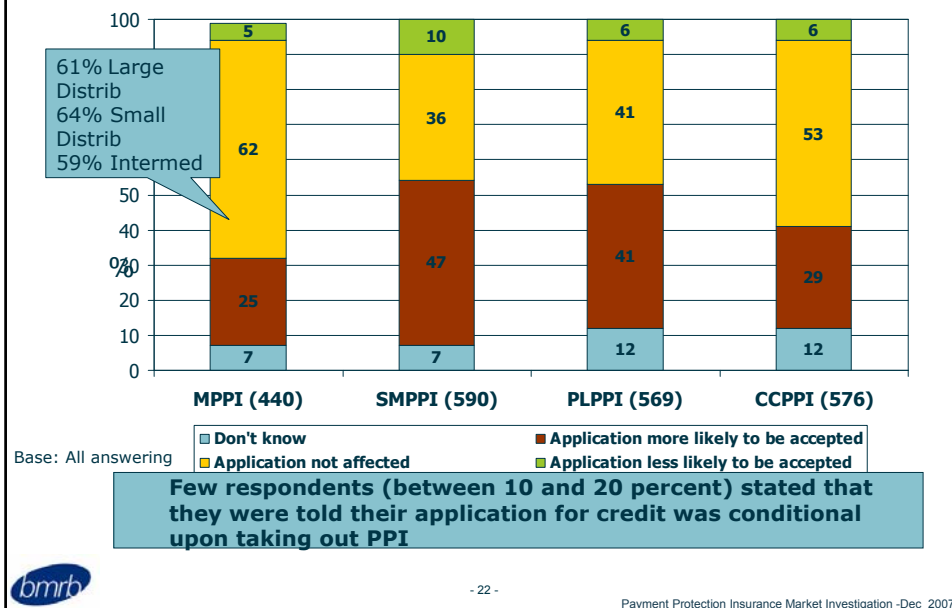
- 20 -

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Whether respondent believed they could have gone to a different provider to buy PPI covering their distributor provider's repayments, or not



Belief that offer of credit was conditional on taking PPI

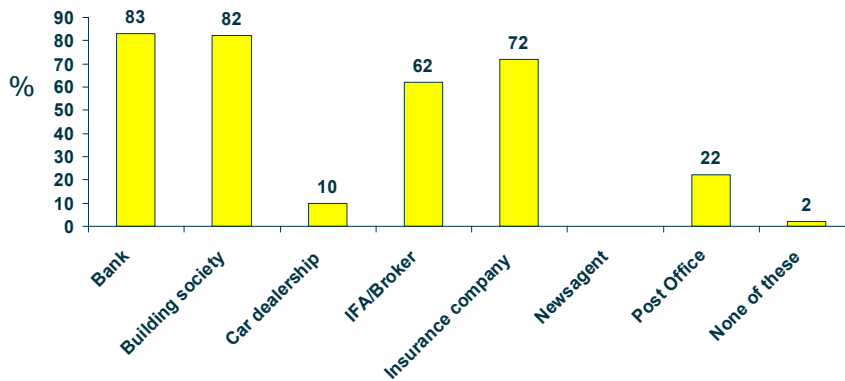


Purchase decisions and choice of PPI product

Consideration and purchase: MPPI total

- 52% respondents considered taking out PPI before approaching the lender/intermediary
- 13% employed the internet to research PPI in general or to check out available products

Where thought PPI could be obtained from - MPPI



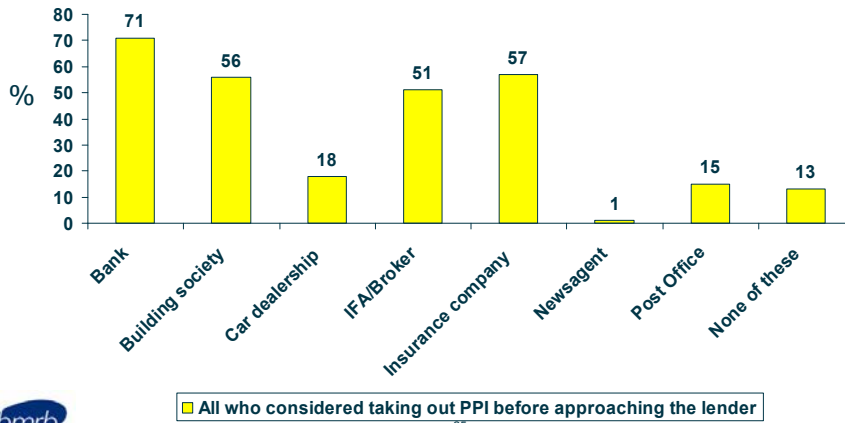
■ Base: All considered taking out PPI before approaching the lender (247)

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Consideration and purchase: SMPPI

- 34% respondents considered taking out PPI before approaching the lender/intermediary
- 8% employed the internet to research PPI in general or to check out available products

Where thought PPI could be obtained from - SMPPI



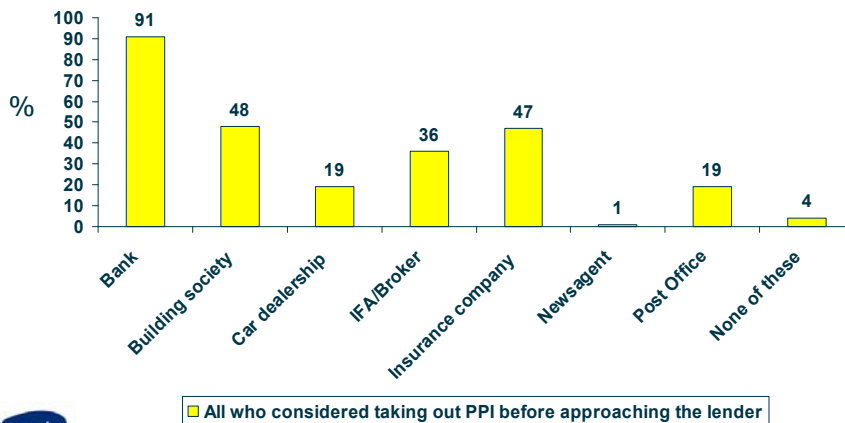
- 25 -

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Consideration and purchase: PLPPI

- 30% respondents considered taking out PPI before approaching the lender/intermediary
- 7% employed the internet to research PPI in general or to check out available products

Where thought PPI could be obtained from - PLPPI



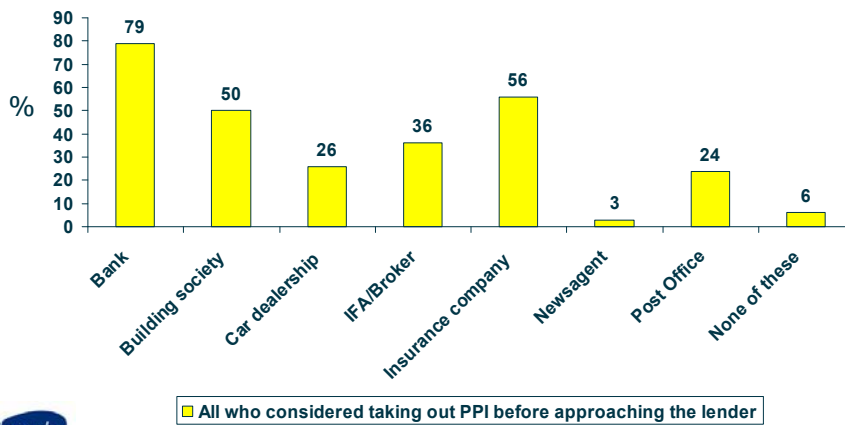
- 26 -

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Consideration and purchase: CCPPI

- 24% respondents considered taking out PPI before approaching the lender/intermediary
- 4% employed the internet to research PPI products in general or to check out available products

Where thought PPI could be obtained from - CCPPI



- 27 -

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Consideration of PPI before applying for credit product

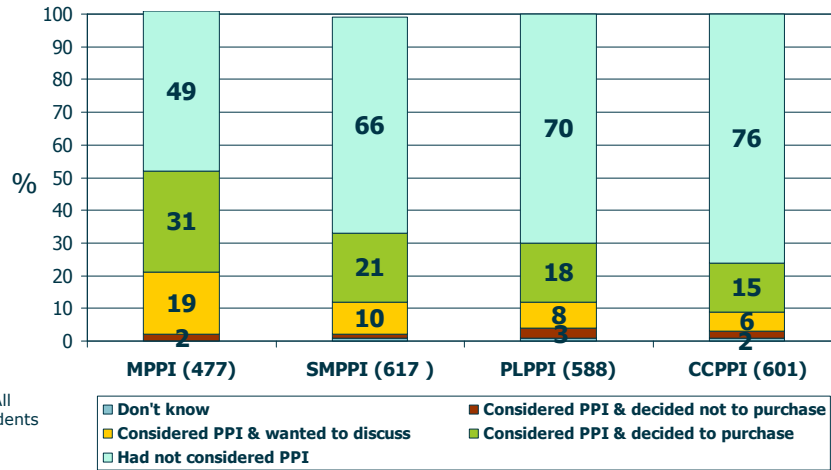
- Those who had considered taking out PPI prior to approaching lender more likely:
 - To have purchased via an intermediary
 - To have a larger loan/first charge mortgage
 - To be readers of financial publications
 - To be experienced with PPI/to have other products protected by PPI
 - To have financially dependent children living at home



- 28 -

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How respondents felt about PPI before they approached the lender for a credit product



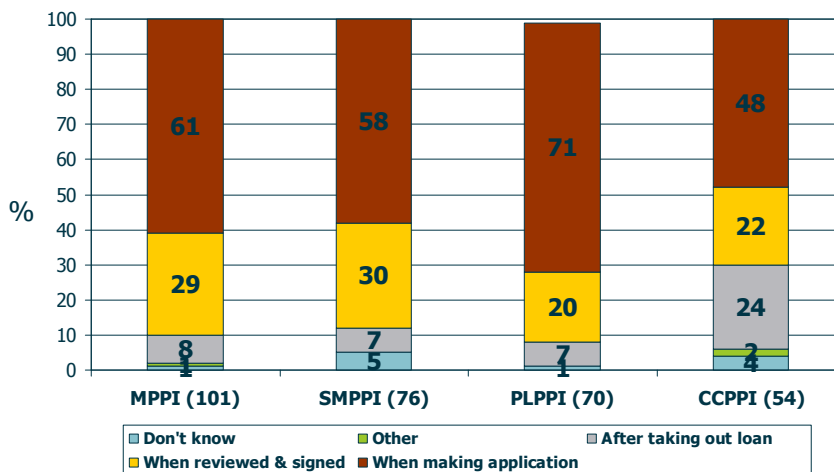
Base: All respondents



- 29 -

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Point at which decided to take out PPI



Base: All who had considered PPI, except those who had decided to purchase *before* making loan application



- 30 -

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Awareness and usage of other protection products of PPI

PPI Customers –Attitudinal profile differences between our PPI sample and TGI data

Our PPI Survey

Question: How often, if at all, do you read publications like personal finance supplements in newspapers, financial magazines and consumer magazines?

Demographics	Total	MPPI	SMPPPI	PLPPI	CCPPI
Base: all answering	%	%	%	%	%
Regularly/ Occasionally	48	55	46	47	46

BMRB TGI Survey

Question: "I read the financial pages of my newspaper" OR "I read the Economist" OR "I read the Financial Times"

Demographics	All Adults	Mortgage	Secured Loan	Personal Loan	Credit Card
Base: all answering	%	%	%	%	%
Regularly/ Occasionally	25	27	Unknown	18	30



PPI Customers –Attitudinal profile differences

How often, if at all, do you read publications like personal finance supplements in newspapers, financial magazines and consumer magazines?					
Demographics	Total	MPPPI	SMPPPI	PLPPI	CCPPI
	%	%	%	%	%
Regularly/ Occasionally	48	55	46	47	46
"I read the financial pages of my newspaper" OR "I read the Economist" OR "I read the Financial Times"					
Demographics	All Adults	Mortgage	Secured Loan	Personal Loan	Credit Card
	%	%	%	%	%
Regularly/ Occasionally	25	27	Unknown	18	30

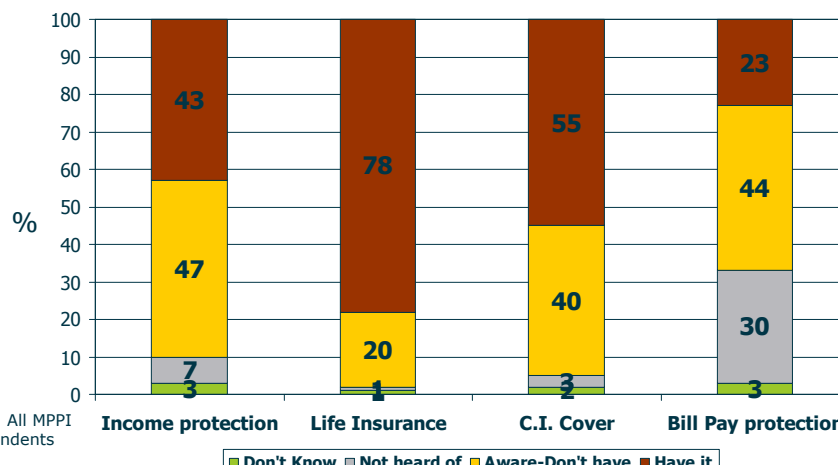
Base: all answering



- 33 -

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Awareness and use of other products - MPPI



Base: All MPPI respondents
477

Legend: Don't Know (Green), Not heard of (Grey), Aware-Don't have (Yellow), Have it (Brown)

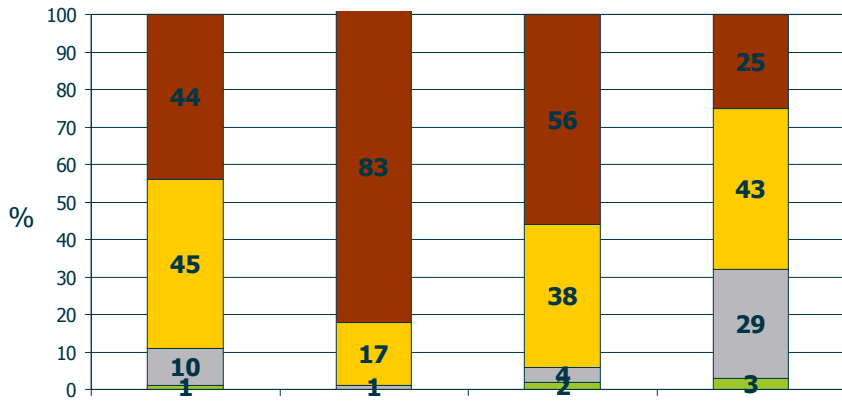
37% 56% 59% 34%
Considered as alternative to PPI (Base: All respondents who either have the product or are aware of it)



- 34 -

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Awareness and Use of other products - SMPPI



Base: All respondents

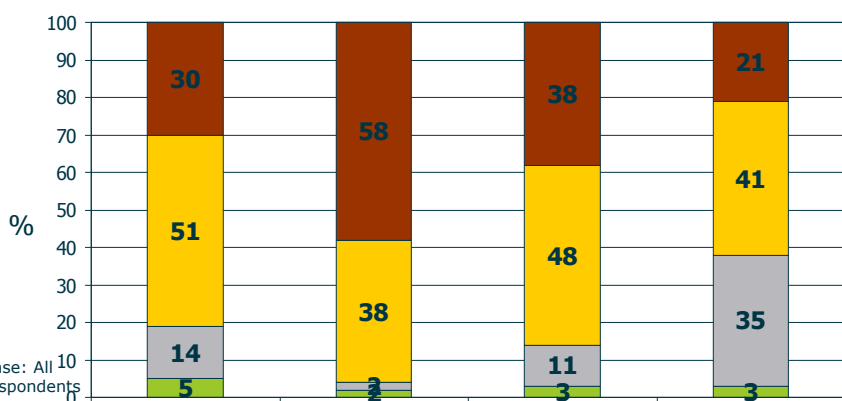
Product	Considered as alternative to PPI
Income protection	26%
Life Insurance	30%
C.I. Cover	32%
Bill Pay protection	21%



- 35 -

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Awareness and use of other products - PLPPI



Base: All respondents

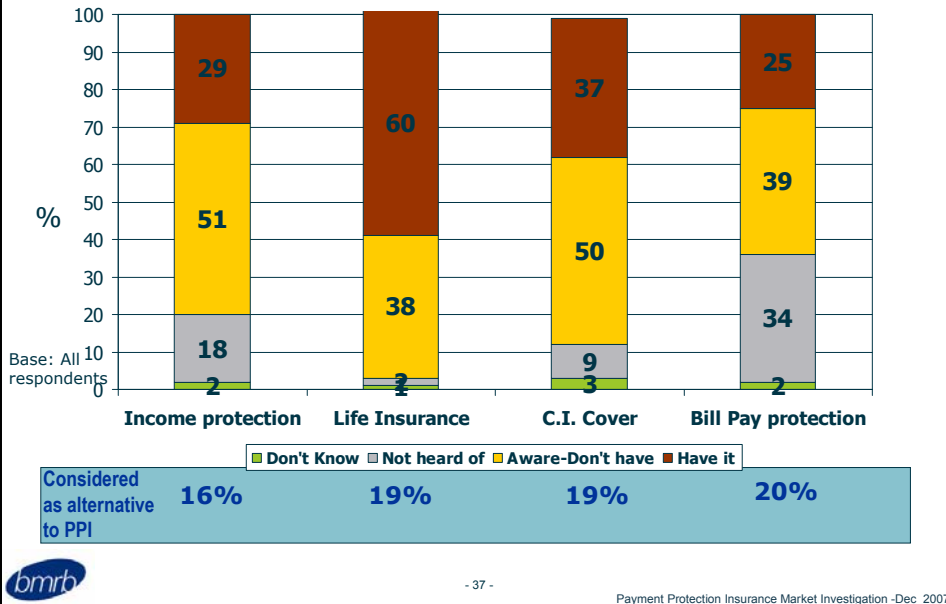
Product	Considered as alternative to PPI
Income protection	22%
Life Insurance	22%
C.I. Cover	25%
Bill Pay protection	23%



- 36 -

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Awareness and use of other products - CCPPI



Summary

- Demographically our four groups are very similar except that the PLPPI and CCPPI sample is younger and less affluent than the MPPI and SMPPI groups.
- Respondent's exhibit confusion over the details of the PPI product they have bought and its terms and conditions
- Majority of Mortgage and Loan products are bought in branch or over the telephone whereas Credit Card customers use a wider variety of channels including the internet
- Overall use of the internet is low among this sample of customers from large distributors
- Apart from purchasers of MPPI products, the majority of customers did not consider PPI before they approached the lender
- Among the MPPI group those who purchased via an intermediary or had a previous experience with PPI were more likely to consider it again up front
- Credit card customers were the group most likely to go back after the credit purchase and consider PPI cover
- Other groups tended to purchase during the application if they had not decided up front