

Payment Protection Insurance Market Investigation

Qualitative research into consumer experience

Report

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Prepared by:

Helen Marshall and Andrew Thomas

BMRB Social Research

Telephone: 020 8433 4455

Email: helen.marshall@bmr.co.uk

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Introduction

1. As part of its investigation into the market for Payment Protection Insurance (PPI), the Competition Commission commissioned three 'packages' of research on the behaviour and attitudes of different consumer groups within this market. These packages comprised: desk research to look in detail at who purchases PPI; qualitative research to explore customers' perceptions of the market and their experience in becoming a customer; and quantitative research to understand motivations and behaviour on a measured and robust basis. This report presents the findings from the qualitative research phase.

Background

2. PPI is a type of insurance sold alongside loans such as personal loans, credit cards and mortgages. Typically, such insurance provides benefits covering the monthly repayments on the card, loan or mortgage if the policyholder is unable to work due to accident or sickness, or becomes unemployed. Most credit card, overdraft and loan policies also include a life benefit, whereby the outstanding balance on the loan or card is paid off if the policyholder dies.

3. PPI policies are assigned to a specific loan although the individual policies vary in their restrictions and exclusions. The policies are underwritten by insurers, in some cases by the same companies as those providing the loans, and in others by independent underwriters.

Terms of reference

4. The terms of reference for the qualitative research were to identify and explore the range of customer behaviours and attitudes in the PPI market and establish the language used by consumers in describing these.

5. Specifically, the research aimed:

- To explore PPI customers' knowledge and understanding of PPI (both generally and of the products they have purchased);
- To understand the choice and purchase decisions of PPI customers;
- To explore PPI customers' perceptions of buying, switching or cancelling PPI and the reasons for this;
- To understand the language used by PPI customers to describe and discuss their financial decision making and purchases; and

- To inform the design of the questionnaire for the quantitative stage of research to follow.

Research design

6. The qualitative research comprised eight group discussions with individuals who had purchased a PPI policy since 1st January 2006. The discussions explored topics such as purchasing decisions and perceptions of PPI. Because these issues are not necessarily at the forefront of people's consciousness, probing and responsive questioning as well as enabling and projective techniques were used to uncover group participants' thoughts on the subject.

Sample design

7. A total of 68 PPI customers participated in eight group discussions, each lasting approximately 90 minutes. The groups were recruited and organised according to key characteristics, including type of loan taken out, age and income. Each discussion group comprised a mix of people in terms of gender and their household type.

8. Five types of PPI were identified for the purposes of the research. These were grouped as follows:

1. Mortgage PPI and Secured loan PPI – both are for secured borrowings and usually for substantial amounts of money;
2. Unsecured loan PPI and car loan PPI – both are unsecured borrowings and for 'sales channel level' borrowings that are repaid on a regular (usually fixed monthly) basis; and
3. Credit Card PPI - unsecured borrowings, lower level borrowings and paid for on a variable basis.

9. Both PPI customers who had taken out PPI within the last three months and PPI customers who had taken it out before that were included to ensure that some group participants had taken out a policy more recently. This was categorised into individuals who had taken out the policy between 1st January 2006 and 28th February 2007; and those who had take out the policy since 1st March 2007.

10. A mix of individuals who had paid single 'one off premiums' and individuals who had paid monthly premiums for their policy were included where relevant.

11. A number of mortgages, secured loans or unsecured loans was also included to obtain an approximate 'spread of indebtedness' across the sample.

12. The profile of each group is outlined in appendix 1. The group discussions were held in July 2007 across four areas in England. These were chosen to provide a geographical spread.

Recruitment process

13. The recruitment of individuals to take part in the study was undertaken by BMRB's specialist field and recruitment unit. All recruiters are members of the IQCS (Interviewers Quality Control Scheme) and a rigorous checking procedure, using pre-participation validation methods, was carried out to ensure that those recruited fulfilled the quota requirements.

14. The method of recruitment used for this research is known as 'free-find'. Individuals were approached by recruitment staff and asked if they would like to participate in this research. In order to ensure the correct sample composition was achieved, a screening questionnaire was used to determine eligibility for inclusion in the study. The screening questionnaire was agreed with the Competition Commission before use.

15. People agreeing to participate in the study were given a confirmatory letter, which described the nature of the study, the voluntary nature of their participation, the appointment date and time and the confidentiality of their answers.

16. An incentive of £30 was given to all group participants as a 'thank you' for the time they had given in participating in the project.

Conduct of the research and analysis

17. The group discussions were facilitated by experienced qualitative researchers using a topic guide which was developed by BMRB, in close liaison with the Competition Commission (see appendix 2). Although the topic guide ensured systematic coverage of key points across the groups, it was used flexibly to allow the issues of relevance to participants to be covered.

18. All the group discussions were digitally recorded in stereo. The verbatim transcripts produced from the digital recordings were subject to a rigorous content analysis, which involved systematically sifting, summarising and sorting the verbatim material according to key issues and themes, within a thematic matrix. Further classificatory and interpretative analyses were then derived from the analytic charts and these formed the basis of the findings reported in subsequent chapters.

Nature of research findings

19. It is important to note, that qualitative research aims to map the range of emergent issues and explore the reasons underpinning these, focusing on questions such as 'how' and 'why', rather than 'how often' or 'how many'. Importantly, the purposive nature of the sample design means that qualitative research **cannot provide any statistical data** relating to the prevalence of these views or suggestions.

Report structure

20. Two substantive chapters are presented in this report.

- Chapter one considers awareness, knowledge and understanding of PPI; and
- Chapter two explores the purchasing behaviour of the PPI customers who took part in the research including views of PPI.

A summary of the findings is presented at the end of the report.

1 Awareness, knowledge and understanding of PPI

21. This chapter explores awareness, knowledge and understanding of PPI amongst the PPI customers who took part in the research. Specifically, the chapter considers: sources of awareness of this type of insurance; knowledge about PPI generally; what the group participants thought they knew about their own policy; and how this information was known.

1.1 Sources of awareness of PPI policies

22. During the group discussions, participants were asked how they had first heard about PPI. Distributors of loans, credit cards and mortgages such as banks, building societies and shops/vendors offering credit were the primary source of awareness. PPI customers described how they had been told about the insurance when they were buying a loan such as a mortgage or car loan.

'I [first heard about it] when I had a car loan when I was 23/24 ... [the car loan] finance talked me into this payment protection and I took it out.'

[Group 5 - Unsecured loan or car loan PPI, age 18-40, personal income: below average]

23. Financial advisers were also a source of awareness, and in the same way as with distributors of loans, credit cards and mortgages, PPI customers had been told about the insurance when they were seeking advice on a loan. Financial advisers tended to have been used in relation to mortgages or secured loans and therefore were particularly noted as a source of awareness in relation to mortgage PPI policies.

24. Sources of awareness also extended to friends and family who had taken out PPI policies in the past. Where friends and family had made a claim on the policy they had either told the respondent about the policy in passing or had specifically advised him or her to take out such a policy.

1.2 Knowledge of PPI

25. Participants were asked about their understanding of PPI both generally and in relation to their own policy.

1.2.1 Knowledge of PPI generally

26. There was a general understanding that PPI policies varied regarding the circumstances they covered and the amount they pay out when a policy holder makes a claim. The types of situations which were thought to be covered by PPI policies included:

- Redundancy;
- Accident/illness which affects ability to work; and
- Death.

‘And what do you think payment protection insurance is for?’

‘If you fall behind in your payments basically, you are covered for a certain amount of time to get yourself back on your feet if you are struggling.’

‘If you lose your job.’ ...

‘For redundancy and for sickness as well, because if you do become really ill then they will pay after 30 days which is when they really start to pay for you. It is like critical illness that you take it out for as well.’

‘[And] If you die.’ ...

[Group 2 – Mortgage or secured loan PPI, age 40+, personal income: above average]

27. It was clear from the analysis that the groups aged 40 and older had a greater knowledge of PPI policies. This was because this age group often had previous experience as policy holders and in some cases, had made claims on previous policies.

1.3 Knowledge of their own PPI

28. Participants were generally uncertain about the details of their own PPI policies. There was some knowledge about the situations which their policy covered (such as accident and illness) but there was less knowledge about *what* the PPI policy would cover, in terms of repayments, interest, or the total loan, and the period of cover in the event of making a claim.

29. Group participants were encouraged to bring their policy information with them to the group discussion so that they could look at what their policy covered following spontaneous recall. Although not all group participants brought the information with them (sometimes because they could not find it) there were surprises amongst the groups when they checked their information, especially about exclusions to the policy. For example, back pain was excluded in some policies, as was illness brought about as a result of heart problems (especially amongst older men). This both surprised and annoyed the participants, as they felt that the situations which were excluded were situations in which they might need to make a claim. They had not noticed these exclusions previously.

‘I hadn’t seen that before... At my age my heart is probably what I will need it for.’

'It's a waste of time personally.'

'I think it's wrong.'

'It's wrong, very wrong.'

[Group 4 – Unsecured loan / car loan PPI, age 40+, personal income: above average]

30. Group participants were generally unsure whether they had been told about exclusions when they bought the policy but admitted they had not read the information about the policy when they took out the product, or since. Small print, the quantity of information in the documents and legal jargon were all given as reasons for this, as well as a lack of time.

'Was that [about exclusions] in the information that was sent through to you afterwards?'

'Probably if I read the small print it was there, but I haven't bothered.'

'Me neither. I'm not being funny but who's going to sit there and read all that bumf'

'I haven't got time. I've got a 6 year old... I don't get the chance to sit down and read!'

[Group 7 – Credit card PPI, age 18-40, personal income: mixed above and below average]

31. There were exceptions, however, where group participants had carefully read the information that had been sent to them about their policy. These individuals considered themselves careful purchasers of any type of financial product. As a result they had a notably better understanding of the situations covered by their policy, the exclusions and other terms and conditions.

'I'm not being funny but I actually went through it [information pack] because I'm just anal like that. Sometimes you read it and find that you're not covered for something you need.'

[Group 7 – Credit card PPI, age 18-40, personal income: mixed above and below average]

1.4 Sources of knowledge about the policy

32. There were three main sources of knowledge about PPI identified through the research. These were

- Information provided at the point of sale;
- Information provided by financial advisers; and
- Information provided in the information pack sent once the policy had been taken out.

33. **Information provided at the point of sale** was considered the main source of knowledge. It was at this point in the process that they recalled learning about the situations which the policy covered and any exclusion(s). Despite this, they also said it was difficult to recall exactly what they had been told or the nature of the information they had been given but still regarded this as the main source of knowledge about the policy.

34. However there were differences depending on the sales channel through which the policy was sold: telephone, face to face, or internet. Consumers who had taken out their policy over the phone said that they had paid little attention to the information with which they were provided when they agreed to take out the policy.

'You can hear that they're reading from a card. They're almost, they're talking fairly quickly so and you haven't got time to absorb it... And so you think, well yes. But yes all right then.'

[Group 8 – Credit card PPI, mixed age, personal income: above average]

35. By this point in their telephone conversation, some customers had been on the phone for a long time and wanted to finish the call. They described how the telephone salesperson read several paragraphs to them about the PPI quickly and monotonously so they had not paid attention.

36. In comparison, customers who had bought the policy in a face to face transaction described paying attention as the sales person showed them the policy documents and talked about the policy, but they felt it was not easy to recall what had been said.

37. The experience of internet purchasers was more mixed, as some described reading the information in detail in order to decide whether they wanted to purchase the PPI or not, others simply closing the window containing the detailed information without reading it.

38. Group participants generally admitted that they had not read the policy information when they took out the product or since. However **the information pack** was mentioned as a source of knowledge about the policy. Although some group participants described not reading this information since the policy purchase, others described how they had looked at this information briefly when it first arrived and read any key information highlight at the front of the pack or not in small print.

'I don't think I read it all but I did glance at the main bits.'

[Group 4 – Unsecured loan / car loan PPI, age 40+, personal income: above average]

39. The most informed policy holders had bought their PPI via a **financial adviser**. In most cases this was for mortgage or secured loan PPI. Advisers were said to have explained the policy in detail and encouraged them to think about the advantages and disadvantages of taking out a PPI policy and the long term cost including the impact of the policy on the interest on their loan. Although these advisers were not always independent financial advisers the group participants did not know whether the adviser had received commission for selling the PPI policy to them. However this had not been important to them as they felt sure the advice they had been given was balanced and unbiased.

'Well I was with a financial advisor and he mentioned it. I thought about it and at whatever meeting it was, I signed up for it... he just went through the policy and stuff and the figures but said I should think about it.'

[Group 1 – Mortgage or secured loan PPI, age 18-40, personal income: above average]

40. PPI customers who had used a financial adviser had generally met the adviser face to face. Like other group participants who had bought a PPI through a face to face sales channel these participants described how they had been shown the documents in detail and had the policy explained to them using the documents about the policy. Furthermore it was reported that they had been encouraged by the adviser to take time to think about whether they would like to buy the policy and to discuss the purchase with their family. As a result, group participants felt that they had not been pressurised to purchase PPI but had been encouraged to think carefully about it.

2 Purchasing behaviour

41. This chapter describes the experience and behaviours around purchasing PPI amongst the PPI customers who took part in the research. Specifically, the chapter considers: purchasing the loan itself; purchasing the PPI product; factors influencing the purchase of PPI and switching/cancellation behaviour.

2.1 Purchasing the loan

42. The participants in the group discussion had generally shopped around for the mortgage/loan/credit card product which they had taken out PPI to protect. Group participants described how once they had identified their need for the product they had looked at resources such as leaflets, adverts, websites and newspapers to evaluate the different products on the market. Factors such as APR, interest free periods and the brand of the loan provider were all considered. Group participants were proud that they had shopped around for their loan because they felt it meant they had got the best value product for their needs.

2.2 Purchasing PPI

43. A pattern of 'reactive' rather than planned PPI purchase was described. Group participants spoke about how they had not thought about purchasing PPI when they decided to take out the loan/mortgage/credit card. Instead, they had been offered PPI when applying for the product and had decided to buy PPI at that point.

'I mean I think the product [PPI] is a good idea in some respects, but if they'd never have mentioned it I'd have never have thought about it.'

[Group 3 – Mortgage/Secured loan, age 40+, personal income: above average]

44. However there were exceptions to this pattern. These exceptions fell into three categories: PPI customers who had recently had a change in social circumstances; those who were self-identified financial 'worriers'; and those who described themselves as 'insurance addicts.' Across the three categories, group participants tended to be characterised as in the 40+ age group and had dependents.

– Recent change in circumstances

A recent change in circumstances was identified as a trigger to seek out and purchase a PPI policy. These changes included the death of a partner, divorce and new anxiety regarding job security as a result of rumours at work that redundancies may be made. These changes in circumstances had initiated a review of their financial security and resulted in concern that if they lost their

source of income they would not be able to repay the cost of their loan(s). As a result they had actively sought out a PPI policy to cover this eventuality.

– **‘Worriers’**

Group participants who identified themselves as ‘worriers’ described how they had planned their PPI purchase. They explained that PPI put their mind at ease that support would be available if they could not meet their loan repayments. They described themselves as ‘general worriers’ and said they had felt concerned about what would happen if they could not meet repayments and had looked for a policy to cover this as a result.

– **‘Insurance addicts’**

Self identified ‘insurance addicts’ stated that they were regular purchasers of insurance generally and therefore had accepted the PPI policy. Similar to ‘worriers,’ these group participants said they felt insurance put their mind at ease that any type of disaster would be taken care of:

‘I’m a bit of an insurance addict! ... it gives me peace of mind for if and when that rainy day comes.’

[Group 8 – Credit card PPI, mixed age, personal income: above average]

Insurance addicts explained that they regularly bought insurance policies for a wide range of types of cover such as health insurance, electrical appliance insurance and pet insurance.

2.2.1 Presentation of PPI

45. PPI was seen primarily as an ‘add on’ to the loan/ mortgage/ credit card. In this way it was viewed as separate to the loan but tied to the product. However, group participants said that it had often been presented to them as a single purchase.

‘It [PPI] comes with what you buy, it comes with your mortgage or it comes with your credit card and you have got to opt out not to pay for it. ... but they give it to you as one figure.’

[Group 3 – Mortgage / Secured loan PPI, age 40+, personal income: above average]

2.2.2 Shopping around for PPI

46. There was low awareness amongst the group participants that it is possible to shop around for a separate or different PPI policy to the one they had been offered with their product. Although group participants were aware that it was possible to shop around

for other insurance products they had not thought it possible to do so for PPI. This was because the PPI policy was regarded as tied to the loan offered:

'I've seen things like holiday insurance advertised separately but not payment protection insurance ... it comes with what you buy, it comes with your mortgage or credit card.'

[Group 8 – Credit card PPI, mixed age, personal income: above average]

47. Exceptions to this pattern were PPI customers who had used a financial adviser for the purchase of their PPI (which was mainly mortgage PPI). These group participants were aware that it was possible to shop around because the financial adviser had shopped around on their behalf for the PPI policy they had bought.

48. Similarly, where the PPI policy had been bought later than main product by individuals who had had a change in circumstances, they had also realised through searching for products that it was possible to shop around and use a different PPI to one offered by the provider of their loan.

49. Group participants who were not aware that it was possible to shop around for PPI were surprised to learn from other participants that they had shopped around for their policy and said that they would have liked to search the market for the best value policy for their needs.

2.3 Factors influencing the purchase of PPI

50. The decision to purchase a PPI policy tended to be based on two sets of factors. These were:

- the purchase experience; and
- personal factors.

51. Considering the purchase experience first, three issues were identified. These were:

- a perception that purchasing a PPI policy would ensure success of the loan application;
- whether the sales representative was spoken to face-to-face or by telephone; and
- the cost of the PPI policy.

52. Consumers tended to be of the view that if they took out a PPI policy they would be more likely to be successful in their loan application, although they lacked evidence for this.

'I thought I'll get [the loan] if I say yes, and I did within three seconds, yes £15,000, just like that. But I think if I'd have said no, then I might have got that little thing that comes up and says you have to contact your bank, so you just do it, you say yes, there you go within five minutes that money is in your bank account.'

[Group 6 – Unsecured loan / car loan PPI, mixed age, personal income: above and below average]

53. Group participants who raised this issue tended to be those who had credit card, car loan, or unsecured loan PPI policies. Those who changed credit cards frequently in pursuit of the best interest rate were particularly concerned about gaining rapid acceptance of the loan application and felt that PPI purchase may assist this.

54. Their reasons for this perception varied although they admitted that they had *assumed* their application might be affected rather than that they had been told the PPI purchase would be taken into account by the lender. Past experience of unsuccessful loan applications where PPI had not been taken up had made group participants think that a PPI purchase was taken into account when the lender calculated the risk of lending. However other group participants said that they had felt the sales pitch on the importance of payment protection had implied (not explicitly) that take up would assist the success of the loan application.

55. This issue was raised spontaneously by group participants and was unprompted by the researchers.

56. The way in which consumers dealt with **sales representatives** was also felt to influence the PPI purchase decision making process. Face to face or telephone contact with a sales representative had resulted in a sense of personal contact which was felt to have encouraged the respondent to agree to the policy. This was either because they had liked or trusted the sales representative or because the customer had been in a hurry and wished to agree to everything so that they could finish and be on their way.

57. PPI customers who had bought the policy over the phone said that the purchase had often been a rushed decision which they had put little thought into because they were thinking more about other things whilst they were on the telephone. Furthermore, when speaking to a person rather than completing a form it felt that it was better to be agreeable.

'You just agree don't you. You just say yes when there's someone there saying what a good idea it is.'

[Group 1 – Mortgage / Secured loan PPI, age 18-40, personal income: above average]

58. **The cost of the PPI policy** was also considered when deciding whether to take out the policy. PPI customers said they focused on the amount that the insurance added to the cost of the monthly loan repayments rather than the cost of the PPI over the life of the loan. Indeed, group participants generally said they had not considered this prior to the group discussions.

59. Similarly the impact of the cost of PPI on the total interest paid on the loan (where a lump sum payment for the policy had been added to the loan) had not been considered prior to the group discussions, with the exception of group participants who had been sold the policy by a financial adviser. Financial advisers had explained this as part of their explanation of the product. As this issue was raised spontaneously by the group participants themselves, others expressed anger that this had not been made clear to them at the time of purchase as it was a factor they would have liked to have taken into account.

60. Consumers with mortgage and secured loan PPI policies suggested that they had taken into account the size of their loan when considering whether to take out the policy or not. The policy was important, they said, because the size of loan meant meeting repayments would be impossible if they could not work. Furthermore, they were aware that their home may be at risk if they could not keep up the loan repayments.

'For me it was the amount of the mortgage in that if the worst were to happen and I wasn't able to make a repayment through employment, I could risk losing my home, so I weighed it up and that risk was uncomfortable, so I took out the payment protection in the hope that I would never, ever use it.'

[Group 1 – Mortgage / Secured loan PPI, age 18-40, personal income: above average]

61. Conversely, group participants discussing the PPI they had for credit cards and unsecured loans said that because they viewed the loan as relatively small they perceived the cost of the PPI as relatively small and therefore a negligible cost.

2.3.1 Personal factors

62. Personal factors which influenced the purchase of PPI included:

- Concern that income or health may be vulnerable to change
- Whether the respondent had dependents or not

- Family and partner influence
- Desire for 'peace of mind'

63. Individuals described how they had **concerns that their income or health may be vulnerable to change** so had decided that a PPI policy might be useful in the future. These personal risk evaluations were not always based on fact but included the individual's assessment of a combination of their age, their job security and whether they knew of friends or family who had suddenly been unable to work.

64. Importantly, this was not something they had necessarily considered before they were asked if they would be interested in purchasing a PPI policy by the sales representative but it was considered at the point of purchase.

65. The older groups in the sample generally regarded their income as secure. Where they had worked for their employer for 20 or more years and felt it was unlikely they might lose their job but they still had concerns that they could experience health problems in the near future. On the other hand, the younger people in the sample generally regarded their health as unlikely to cause them problems, but they had concerns that their job may not be secure if the organisation they worked for fell into financial difficulties.

66. **Dependents** were also taken into account when deciding whether to purchase PPI or not. PPI customers who had dependents (such as children) said that they felt they had a responsibility to ensure that loan repayments would be taken care of if they could not work so that they continued to have sufficient money to look after their dependents.

67. Younger people in particular had **discussed with family and partners** the advantages and disadvantages of taking out a PPI policy. This had only occurred where the respondent had either decided in advance of taking out the loan that they wanted a PPI policy or had been given time to go away and think about the policy (because they had been sold the policy through a financial adviser). In these instances the family or partner had considered that the policy was a good idea.

68. The policy was also felt to offer '**peace of mind**' and that their loan repayments were covered in case they could not work. A desire for this peace of mind meant that they had decided the policy was a good idea and decided to take it out.

2.4 Switching / Cancellation behaviour

69. Group participants were asked in the group discussions about their awareness, knowledge and any experience of switching or cancelling a PPI policy. None of the PPI customers who took part in the research had switched or cancelled a policy.

2.4.1 Awareness and knowledge of PPI policy cancellation

70. Generally there was a lack of certainty regarding whether it was possible to cancel PPI, especially amongst policy holders who had single premium policies. It was recalled that 14-30 day cancellation periods had been mentioned at the point of sale for some single premium policies but group participants were unsure whether it was still possible to cancel. There were group participants who had assumed it was possible to cancel but had never explored this as option.

'Can you cancel them?'

'No, I don't think so.'

'I think you can but I've never looked into it.'

'You must be able to, it's your money. Is that right?'

[Group 1 – Mortgage / Secured loan PPI, age 18-40, personal income: above average]

2.4.2 Factors which would encourage/discourage cancellation

71. The factors which might trigger a policy cancellation were discussed as well as the reasons why the consumers had not cancelled their policy to date. There was confusion about whether it was possible to cancel a policy. Some group participants said they had not cancelled their policy because they did not think it was possible to do so but reasons for keeping their policy were also mentioned.

72. Factors which might encourage a PPI consumer to cancel their policy included:

- If they made a claim that was subsequently refused;
- If the price they were currently paying increased and the policy became too expensive; and
- If a new source of financial security was identified such as an inheritance or lottery win which meant either that the debt could be repaid or that they could meet the loan repayments in the event they could not work;

73. A further two factors were mentioned although these were possibly triggered as a result of the group discussion rather than spontaneous view. These were:

- If they realised that the factors for which they thought they were most at risk were excluded; and

- If the impact of the additional interest on the loan created by the premium for the PPI was felt to be excessive.

74. Factors which were felt to discourage cancellation were:

- The desire for the 'peace of mind' which their PPI policy provided;
- That no alternative existed to meet loan repayments if the respondent could not work. This was mentioned amongst participants in the low income groups in particular;
- That they assumed there would be cancellation fees which would be charged if the policy was cancelled;
- That they assumed there would be paper work required if the policy was cancelled; and
- That the cost of the PPI policy was perceived as a small cost compared to repayment amount.

2.5 Views of PPI

75. Throughout the group discussions, participants expressed their views about their experience of purchasing PPI and about the value of PPI to them. These are discussed below.

2.5.1 Views related to the experience of purchasing PPI

76. Towards the end of the group discussions participants tended to reflect that they had felt relatively uninformed about their policy prior to the group discussion, simply because they had not thought about their policy in any detail before the group.

77. As a result, group participants called for information to be presented more clearly to people purchasing a PPI policy. Concern was expressed that information packs in particular were 'jargon-heavy' and written in small print which did not encourage policy holders to read and understand the document.

78. Furthermore, group participants had been surprised to learn that they could shop around for PPI and therefore felt that more people should be made aware of this so that they could search for the best value policy for their individual needs.

'I didn't think about shopping around. I'm not sure I thought you could. I just accepted what was said to be honest.'...

'I feel a little bit stupid now... Especially when I have shopped around for the other sorts of insurance and I have done for years. I don't know why I didn't think.'

[Group 1 – Mortgage or secured loan PPI, age 18-40, personal income: above average]

2.5.2 The value of PPI

79. Although the PPI customers who participated in the research had generally not planned to purchase PPI when they decided to purchase their loan, they nevertheless valued the security that the PPI product offered. Despite exclusions and limited cover periods group participants said they felt reassured by the policy.

80. A greater sense of value was expressed for mortgages and secured loans PPI because the large repayments were felt to be difficult to meet if out of work. Furthermore, group participants recalled that their home would be at risk if they did not keep up repayments.

81. It was also notable that low income groups and single parents in particular valued PPI for the security it provided. They indicated that they felt they were financially vulnerable and if for any reason they could not work it would be difficult for them to meet their general living expenses in addition to their loan repayments. PPI was therefore valued for the perceived security and peace of mind it provided.

3 Summary of findings

82. This final chapter of the report summarises the key findings from the qualitative research.

3.1 Awareness, knowledge and understanding of PPI

83. Group participants had generally been made aware of PPI through distributors of loans, credit cards and mortgages such as banks, building societies, and shops/vendors offering credit. They had been told about the insurance when they were buying a loan such as a mortgage or car loan. Financial advisers were also cited as a source of awareness who had told the consumers about the insurance when they were seeking advice on a loan.

84. Understanding of PPI was limited to knowledge of the circumstances covered rather than specific terms and conditions, cover periods or exclusions. There was a general lack of knowledge regarding exclusions to the policy and group participants expressed some surprise when they checked their policy for this information. Few group participants had read the information which had been sent to them about the policy.

85. Greatest knowledge and understanding tended to be where PPI had been sold through a financial adviser for a mortgage / secured loan purchase. These individuals described how their adviser had spent time explaining the policy to them and had highlighted aspects such as cover periods and exclusions.

3.2 Purchasing behaviour

86. The decision to purchase PPI tended to be reactive to an offer from the loan provider rather than planned. Customers said they would generally not have taken out PPI if it had not been offered when they took out product. However, there were exceptions such as individuals who had recently had a change in circumstances (for example the death of a partner) or individuals who particularly valued insurance cover.

87. A range of factors was found to influence purchase of PPI including factors related to the sales process and personal factors. There was some concern that the loan application might not have been accepted if PPI had not been taken out, especially in relation to credit cards, car loans, unsecured loans. However this was an assumed link rather than based on information received.

88. There was little awareness that it was possible to shop around for PPI, although there was great interest in doing this.

Appendices

Appendix 1 – Sample profile

Sample Profile

PPI product	Purchase Recentness *	Premium type**	Purchasing channel	Age	Income ***	Number of mortgages / loans ****	Household type*****	Gender	Number of participants
Mortgage (7) Secured loan (1)	A – (8) B – (0)	Single (2) Monthly (6)	N/A	18-40 (7) 40+ (1)	Above average (8)	1 loan (6) 2 loans (1) 3+loans (1)	SWD (3) CWD (3) SND (1) CND (1)	(5F) (3M)	(8)
Mortgage (7) Secured loan (1)	A – (6) B – (2)	Single (5) Monthly(3)	N/A	18-40 (2) 40+ (6)	Below Average (8)	1 loan (3) 2 loans (5) 3+loans (0)	SWD (2) CWD (5) CND (1)	(6F) (2M)	(8)
Mortgage (5) Secured loan (4)	A – (6) B – (3)	Single (6) Monthly (3)	N/A	40+ (9)	Above average (9)	1 loan (3) 2 loans (1) 3+loans (5)	SWD (1) CWD (3) SND (2) CND (3)	(4F) (5M)	(9)
Unsec. loan (1) Car loan (7)	A – (5) B – (3)	Single (6) Monthly (2)	Loan provider (8)	40+ (8)	Above average (8)	1 loan (5) 2 loans (1) 3+loans(2)	SWD (1) CWD (4) CND (3)	(3F) (5M)	(8)

Unsec.loan (3) Car (6)	A – (5) B – (4)	Single (6) Monthly (3)	Loan provider (9)	18-40 (9)	Below average (9)	1 loan (5) 2 loans (1) 3+loans (3)	SWD (1) SND (5) CND (3)	(4F) (5M)	(9)
Unsecured (4) Car (5)	A – (7) B – (2)	Single (7) Monthly (2)	Point of sale (9)	N/A - Any	Below average (6) Above (3)	1 loan (5) 2 loans (4) 3+loans	CWD (5) SND (2) CND (2)	(4F) (5M)	(9)
Credit card – (9)	A – (8) B – (1)	N/A	N/	18-40 (9)	Below average (6) Above (3)	N/A	SWD (1) CWD (5) SND (3)	(4F) (5M)	(9)
Credit card – (8)	A – (7) B – (1)	N/A	N/A	18-40 (4) 40+ (4)	Above average (8)	N/A	SWD (1) CWD (5) SND (1) CND (1)	(3F) (5M)	(8)

* Recentness of purchase – (A) 1st January 2006 – 28th February 2007 (B) 1st March 2007 onwards

** Premium type – single = single / one-off payment / premium; monthly = regular monthly payments / premium

*** Personal Income - Threshold above/below £24K London; £17K elsewhere

**** Number of mortgages, secured loans or unsecured loans (referred to as 'loans'). Included to obtain a 'spread of indebtedness'

***** SWD – Single with Dependents, CWD Couple with Dependents, SND – Single no Dependents, CND – Couple no Dependents

Appendix 2 - Topic guide



Topic guide
Competition Commission:
Payment Protection Insurance Market Investigation

Aims of the group discussion:

- To explore PPI customers' knowledge and understanding of PPI (both generally and of the products they have purchased)
- To understand the choice and purchase decisions of PPI customers
- To explore PPI customers' experience of buying, switching or cancelling PPI and the reasons for this
- To understand the language used by PPI customers to describe and discuss their financial decision making and purchases
- To inform the design of the questionnaire for the following stage of research

Introduction

- **About BMRB, independent research agency**
- **Introduce any observers**
- **About the project**
 - Funded by the Competition Commission
 - An independent government body who are interested in your views of insurance you can take out to protect loan/mortgage/credit card repayments
 - This is one of a number of focus groups being conducted around the country
- **Standard group introduction – explain format and agree ground rules**
 - Emphasise discussion; we really want to hear from everyone; whether or not you agree with the views of others
 - No right/wrong answers; range of experiences and expertise; some people may be more familiar than others with subject
 - Explain that money can be a sensitive subject matter – we want them to feel comfortable. They only need to reveal what they are comfortable with. We don't expect them to have any prior knowledge about PPI
 - Outline aims
 - Length of group: 90 minutes
- **Introduce recording and reassure about confidentiality**
 - Require an accurate record
 - Will produce a report at the end of the study but will not identify individuals

Background and Context

'Let's start by going round the group one by one. I'd like each of you just to tell me a little bit about yourself starting with your first name.'

- **Group introductions:** Ask each participant
 - First name
 - A little bit about themselves
 - Whether they are working and if so what they do for a living
- **Interest in financial issues**
 - Interest in money issues; whether they read money sections of newspapers, listen / watch money programmes etc.
 - How financially secure do they feel they are generally
- **Use of financial services**
 - What financial services have they used in the past, circumstances/reasons
 - Probe: personal banking, loans, mortgages, loan consolidation, insurance products, life insurance
 - Where do they get financial information from if they need it
 - Probe: banks, IFAs, accountants, Citizens Advice Bureau,
- **PPI context**
 - What type of repayment insurance do they have
 - What type of product did they take this out for (credit card, loan, mortgage)
 - Was this the first time they had bought this type of insurance or had they bought it before, do they have many others

Knowledge of PPI (Payment Protection Insurance)

NOTE TO RESEARCHER: Participants may know PPI as 'repayment protection insurance', 'credit insurance', 'accident, illness and unemployment insurance', 'sickness insurance', 'disability insurance' or 'balance protector insurance'. Try to establish what they know it as and use the language they use when describing the product.

'Some of you may have more than one repayment insurance policy. I want you to think about the policy you have for INSERT NAME OF PPI TYPE FOR GROUP for the rest of the discussion'.

- What do they think payment protection insurance is for
 - What does it protect against
 - What events does it cover
- What do they know about PPI products
 - Who can take out PPI; for what types of borrowing
 - Who sells PPI
 - Any other information

- Sources of knowledge - how do they know this
- How well do they feel they understand PPI
- What do they call PPI; how do they refer to PPI (language used)
- How did they first find out/hear about this type of insurance
Spontaneous then probe:
 - Bank/loan company offered
 - Friends/family/colleagues
 - Searched internet/looked in paper
 - Saw advert
 - Other
- What do they consider the value of PPI to be
 - Generally
 - Specifically for them, do they value it, if so why
- Is PPI more important for some types of people than others, reasons

PPI Purchasing experience

NOTE TO RESEARCHER: **Exclude** any discussion around the mis-selling of PPI products or making a claim from PPI policies

- **Description of loan/credit card/mortgage bought**
 - Kind of loan/credit card/mortgage taken out
 - Where loan/credit card/mortgage was bought
 - Reasons for choice of loan/credit card/mortgage provider
- **PPI Purchasing decision – description of purchasing journey**

'Tell me about when you first found out about payment insurance for this loan/credit card/mortgage.'

 - Did they seek out PPI or were they offered product
 - Where did they look/who offered
 - How/when were they contacted
 - When they decided to take out the loan/credit card/mortgage, did they also think about PPI to protect payments beforehand
 - Or only when they were in the process of taking out the loan / credit card/ mortgage
 - Why did they purchase PPI; reasons for purchase
 - Decision making process
 - What factors influenced their decision to purchase
 - Probe: income security, health security, other

- Had bought PPI in the past
 - Did they discuss with anyone, who, reasons
 - How much time taken to make the decision
 - How do they describe buying the PPI product
 - 'purchase/buying'; 'taking out insurance'; other
- **Presentation of PPI**
 - How was the PPI product presented to them
 - How was it presented
 - As part of a package with the loan/credit card/mortgage
 - As a separate 'add on' or 'extra' product to the loan/credit card/mortgage
 - As completely different thing with a different company to the loan/credit card/mortgage

Respondents check against their information to see whether product is separate company or the same

- Reflecting on the information they have brought with them, did they perceive the product to be part of the same or a different company to the loan/credit card/mortgage
 - How do they feel about this
- How was PPI described to them
 - What were they told about it/what information was provided
 - Cost
 - Pay monthly fee/part of loan/credit card/mortgage repayments

EXPLANATION: There are two different ways in which Payment Protection Insurance can be paid for. Either, the cost of the insurance is added to the loan/credit card/mortgage at the time you take it out and is then repaid as part of the monthly repayments (single premium); Or, a monthly fee is paid for the insurance, which is separate to the repayments (monthly fee).

- View on how this was explained/information provided
 - Terms and conditions (what events are covered/not covered)
- How did they feel about the way it was presented
 - Was it clear they could still take out the loan/credit card/mortgage if they did not buy PPI; what made them feel this
 - Understanding of product / clarity
 - Were other insurance products offered at the same time;
 - what were they
 - were they from other providers
 - were they presented similarly

- Did they ask any questions about the PPI product
- What questions did they ask, reasons

Purchasing behaviour

- Did they compare PPI products, reasons
- Did they shop around, compare products, prices, terms and conditions
 - If they did not consider this, why not
 - Where and how did they shop around
 - branch of a bank or building society; mortgage or loan broker; telephone or internet based provider
 - Why did they decide to shop around
- Did they shop around for their loan/credit card/ mortgage
 - Where and how
 - branch of a bank or building society; mortgage or loan broker; telephone or internet based provider
 - Did these include the cost of the PPI and the loan/credit card/mortgage together
- When deciding which credit provider to use, what factors did they consider
 - Probe:
 - compare the monthly repayment cost (including PPI),
 - APR
 - Which factor was more important, reasons
 - Do they see credit product and PPI as one purchase decision from the same provider, or as separate purchase decisions for the credit product and PPI
- Did they discuss the risks associated with the credit product and its affordability with the credit card/loan/mortgage provider
 - Impact of the discussion
 - made them more or less interested in taking out PPI
 - Impact of purchase of PPI on concern about the risks of taking out the credit product
- If applicable, did they purchase the PPI at the place where they took out the loan/credit card/mortgage; reasons for this; preferences;
- Would they have bought PPI if it had not been offered when they took out the credit card/ loan/ mortgage

Views about distribution channel

- Views about different ways of purchasing PPI
 - o Direct from a bank
 - o From an intermediary finance provider
 - o Over the internet
 - o Face to face
 - o Telephone
 - o Other
- Reasons for views
- **Knowledge of their own PPI product**
 - What do they know about their PPI policy
 - o Cost
 - Do they regard this as good value for money
 - o When might the policy be useful to them
 - What can they claim for; under what circumstances
 - o Any terms and conditions
 - Probe on circumstances when PPI is not valid

NOTE TO RESEARCHER: participants may look at their documents during this section to find answers to terms and conditions questions. Seek spontaneous knowledge first before suggesting group look at documents.

Note to researcher: The research is NOT concerned with the clarity of documents – EXCLUDE from the discussion

Knowledge and experience of cancelling a PPI policy

'What about cancelling payment insurance, what can you tell me about that?'

- **Cancelling knowledge / experience**
 - Awareness of ability to cancel PPI; how
 - Experience of cancelling/ever considered
 - o When
 - o Reasons why (e.g. costs, understanding, etc.);
 - o Ease of cancelling
 - o Cost of cancelling
 - o Did they shop around before cancelling, compare products, prices, terms and conditions; reasons why / why not
 - o Did they then take out another PPI policy to replace cancelled one; reasons
 - What factors would encourage/discourage them to cancel financial provider

- If not cancelled, explore reasons for loyalty

- Experience of cancelling a credit product, loan or mortgage before the end of its contractual term
 - o Reasons
 - o Prompt
 - Was this to arrange a new credit product (including PPI) with a new provider at a lower cost
 - o Did they also cancel the PPI cover that they bought with it

Wrap up

- Value of PPI to them; what do they think would be the consequence of accident, illness, unemployment if they did not have a PPI policy
 - o How would they cope without a PPI policy

- Overall views of PPI products, positive/negative

- Awareness of the Competition Commission
 - Familiarity with the Competition Commission
 - Any awareness of the Competition Commission Investigation

Any questions from client observers

Any questions to researcher/client

THANK AND CLOSE