



## Payment Protection Insurance Pricing Qualitative Research Report

**Prepared for:** Competition Commission  
**Prepared by:** Synovate UK  
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# 1. Background

## 1.1 Introduction

1. As part of their investigation into the market for Payment Protection Insurance (PPI), the Competition Commission (CC) has identified a possible area for intervention in the market, specifically around the price information provided to consumers when credit and PPI are sold.
2. Price information provided on PPI is commonly the cost per month for the bundle of credit and PPI, a cost per month for the credit alone and an Annual Percentage Rate (APR) for the interest on the credit.
3. The CC commissioned qualitative research to gain insight into the extent of consumer understanding of the costs associated with PPI and explore understanding of, and preferences for different ways of presenting quotation information.

## 1.2 Terms of reference

4. The terms of reference for the research were:
  - To explore to what extent typical PPI customers understand the prices of the different elements of the financial products they have purchased
  - To understand if consumers are clear on the differences between repaying the loan capital, paying interest and paying for PPI
  - To explore if consumers have a ready sense of the approximate relative sizes of these costs
  - To understand if provided with standard quotation information, whether consumers are able to identify the different cost elements
  - To explore whether consumers might understand and use other cost measures to compare credit options, including the various stimulus material used
  - To explore if there are ways of presenting some or all of these various cost measures together that customers find particularly helpful or particularly confusing

### 1.3 Method and sample

5. A qualitative methodology was adopted involving 24 depth interviews with individuals who had taken out a form of credit with PPI in the previous 12 months as follows:
  - 11 depth interviews with individuals who had taken out a credit card
  - 7 depth interviews with individuals who had taken out a personal/secured loan
  - 6 depth interviews with individuals who had taken out a mortgage
6. Interviews were split equally between lower (C2D) and higher (BC1) socio-economic group. Thirteen participants were male and eleven were female. Loose quotas on age were imposed ensuring a spread of ages from 25 to 59.
7. The depth interviews were 45 minutes in duration and conducted by Synovate qualitative researchers. They were conducted between 22nd July and 1<sup>st</sup> August 2008 in London, Birmingham and Manchester.
8. In addition to the depth interview each participant was asked to complete a short pre-interview questionnaire. The questionnaire covered areas such as provider of credit and PPI, source of information on PPI and perceptions of PPI purchased. This is provided in Appendix 3.
9. Appendix 2 provides the discussion guide.
10. The stimulus material used was revised and refined after the initial four pilot interviews (of the 24 interviews in total). The revised stimulus material used for the majority of the fieldwork is provided in Appendices 4 to 6.

## 1.4 Recruitment process of participants

11. Recruitment of participants was managed by Synovate's in-house qualitative recruitment and field team. A 'free find' method was used. Participants were approached by interviewers and selected based upon eligibility using a screening questionnaire. See Appendix 1 for recruitment questionnaire.

12. Recruiters used for this study were IQCS (Interviewer Quality Control Standards) trained, in conjunction with the rules of the Market Research Society. This standard ensures that recruitment is rigorous and that participants fit the required quotas.

13. Participants were remunerated to the value of £40 for the depth interview and an additional £5 for completing the pre-interview questionnaire.

## 2 Research findings

### 2.1 Understanding of the different elements of financial products

14. This chapter describes PPI customers' understanding of the different components which make up the repayments on their recently purchased financial products. We explore basic understanding of the difference between paying the loan capital, paying interest, and paying for PPI. We also discuss the question of the relative sizes of each of these three components.

#### 2.1.1 Understanding of loan repayment components

15. Overall, participants understood that the repayments on the financial products they had purchased included three different components: the capital repayment, interest on that capital and PPI. However, the degree to which they consider these components spontaneously varied.

16. A few participants spontaneously mentioned all three components, making a clear distinction between them when asked about what they were paying for in their total monthly repayment. These participants tended to describe themselves as reasonably confident with financial information, or as being particularly concerned with knowing the details of any financial product that they purchased.

*“Well hopefully the majority of [the repayment is] what I owe and then you have got the interest and then the payment protection, so really just the three [components].”* [Loan customer, C2 Female]

17. Most participants did not spontaneously describe the three components when discussing their repayments. They tended to think about the overall

monthly repayment amount in relation to their products. However, once prompted most understood that they were distinct from one another.

*“When I look at things, I look at them from a whole rather than from the components which make them up.”* [Loan customer, C1 Male]

*“When I needed a car it was like a deadline really so I just took it and as long as it suited my payments that was it. I wanted it under £300 [per month].”* [Loan customer, C2 Male]

18. Some participants spontaneously described PPI as a separate repayment cost, while describing the interest and capital repayment as one entity. Some participants recalled discussing PPI during the purchase process with sales representatives. This provides a potential explanation for why the PPI was seen as a ‘bolt-on’ addition by these participants. Participants were recruited because they had recently taken out PPI with a financial product. They were also asked to think about the product they had purchased before being interviewed. This could have affected the levels of spontaneous recall reported.

*“In my mind, the breakdown is the initial mortgage payment itself...and then the actual insurance on top of it.”* [Mortgage customer, C2 Male]

19. Participants did not generally understand precisely how the interest and PPI components of their repayments were calculated, or whether they might change over time. A few participants mentioned the issue of paying interest on the total cost of the PPI product over the term of the loan, but only after considering the issue of PPI in some detail during the interview. Only a few knew that a higher proportion of interest is paid earlier during the term of the loan.

### 2.1.2 Understanding of the relative costs of each component

20. Participants were asked about the relative size of the different components. Most participants had some sense of how these figures broke down. They assumed that the bulk of their total repayment amount was made up of the capital amount, with the interest comprising slightly less and the PPI a relatively small proportion.

21. Participants were generally able to describe the relative size of PPI compared to the combined capital and interest amounts. Often they did not spontaneously describe the relative sizes of the capital and interest amounts with as much ease. However, when prompted with examples of relative sizes of the components, participants generally did not express surprise or concern over the proportions shown.

*“I would say if £40 was paid out, three quarters would be the loan and the interest and PPI would be the last quarter.”* [Credit Card customer, C1 Male]

22. Participants expressed the PPI amount in different ways: as a percentage; as a monthly cash amount or as pence or pounds per £100 of outstanding balance. These related to the ways in which this information had been presented at the point of purchase, or in statements.

*“At the end of the day it’s only ninety five quid a month, in the scheme of all the bills, it’s a substantial bill but it is not a huge bill.”* [Mortgage customer, B Male]

## 2.2 Identifying different cost elements from quotation information

23. This chapter explores the factors which influence levels of comprehension of, and preferences for, different ways of presenting quotes for financial products and PPI.

24. Participants were shown examples of different ways of presenting quote information and asked to identify different components. They also used the information provided to compare different quotes where PPI differed in cost. The interviews explored how easy participants found the information to use, and which format they preferred.

25. Four key themes emerged from the interviews:

- Participants generally preferred quotations which separated the three components of the quotation (capital repayment, interest and PPI)
- Participants often found cash amounts easier to understand than percentages
- Participants generally preferred quotations provided as monthly figures
- Some participants found smaller numbers less confusing than larger numbers

26. The following sections of this chapter explore these themes in more detail.

### 2.2.1 Separating the components of the quotation

27. Most participants preferred quotations which presented each of the three components of the repayment as separate amounts. The main reason for this preference was that participants were easily able to identify the cost of each component without the need for any calculations.

28. Participants also felt that this approach was more honest and transparent than those which bundle the three components together. This was because they felt that nothing was being hidden from them.

*“I think for budgeting [separating the components] would be a good idea, and also it encourages clarity I think, it seems more honest. By actually putting it down it seems more honest, it’s encouraging openness.”*

[Credit Card customer, Female, B]

29. When the PPI amount is bundled together with the other components, as is commonly the case with standard quotation information at present, consumers generally find it more difficult to identify the cost of the PPI element.

30. A minority of participants felt that separating the components was not necessary. These participants preferred to use the total monthly repayment figure when deciding whether they could afford the product. Some of these participants found the amount of information in quotations which separated the three components confusing.

31. Other participants said they would prefer quotations which provided both separated costs and a total repayment figure. They felt that this would provide transparency and remove the need for any calculations.

### 2.2.2 Cash amounts versus percentage figures

32. Generally participants preferred quotations which were expressed in cash amounts rather than as percentages. Some participants felt that cash amounts were more relevant than percentages when making a financial purchase decision.

*“No, I think people at the end of the day just want to know how much they are paying and what the interest [is] they are paying and what they have got to pay back. Which is why 3B [monthly cash costs for loan capital, interest, insurance, broken out separately] is simple and it’s broken down whereas [Option 2 - combined APR for credit interest and insurance together] is not telling me any information whatsoever.” [Loan customer, Female, C2]*

33. A number of participants found percentages confusing, especially when trying to calculate the cost of PPI or interest on a product. People found it particularly difficult to calculate the interest amount from a quoted APR percentage, or calculate the PPI or interest amounts from a combined APR and PPI percentage figure. While some participants attempted to make these calculations, or explained that they would try if they had a calculator, others did not know what calculation they would need to make.

*[Response to combined APR and PPI quotation] “It’s impossible at a glance [to work out the cost of PPI]. With a calculator you could do it by working out the APR etc, but off the top of my head it would be quite difficult to work out what the PPI is.” [Mortgage customer, Male, C1]*

34. While a number of participants were uncomfortable using percentages (particularly APR), a small minority stated that APR makes it relatively easy to compare different quotations.

### 2.2.3 Monthly figures

35. Most of the participants preferred quotations which set out cost information in monthly amounts. This was, in general, more relevant than annual or lifetime costs in terms of how participants were currently thinking about finances and budgeting. Participants often explained that they were paid on a monthly basis and therefore readily understood what their monthly income and outgoings were.

*“What you pay annually people don’t give two hoots about. It’s what comes out of your monthly packet, it’s about managing your money, and it is about knowing exactly what’s coming out on a regular basis. To look at a yearly sum I’d have to get my calculator out and divide the whole lot by 12 [months] so I know what’s coming out.”* [Loan customer, Male C1]

36. While most participants preferred monthly figures, some credit card customers felt that expressing costs as monthly amounts had limitations. They explained that monthly figures did not reflect the potential fluctuations in credit card balances over time.

*“Well you are not really being given much information in terms of what percentage that [monthly cost of PPI] represents which is what I would like...you are given a figure of £500 but that doesn’t actually help me. Is it a fixed rate or is it like mine which is 79 pence per £100...there is no indication from that whether that increases depending on what the outstanding balance is.”* [Credit card customer, Female C2]

37. Some credit card customer participants felt that a quotation which provides a cost per £100 of outstanding balance would help them understand quite easily how much they would actually be paying for PPI each month. They felt that this way of presenting information was clear and transparent.

*“I think option 6 [cost per £100 of outstanding balance] is really clear, because you can use that to project. If you buy something that’s going to cost you another 500 pounds you can then immediately know how much [PPI cost], because you know how much you are paying per £100.”*

[Credit card customer, Female, B]

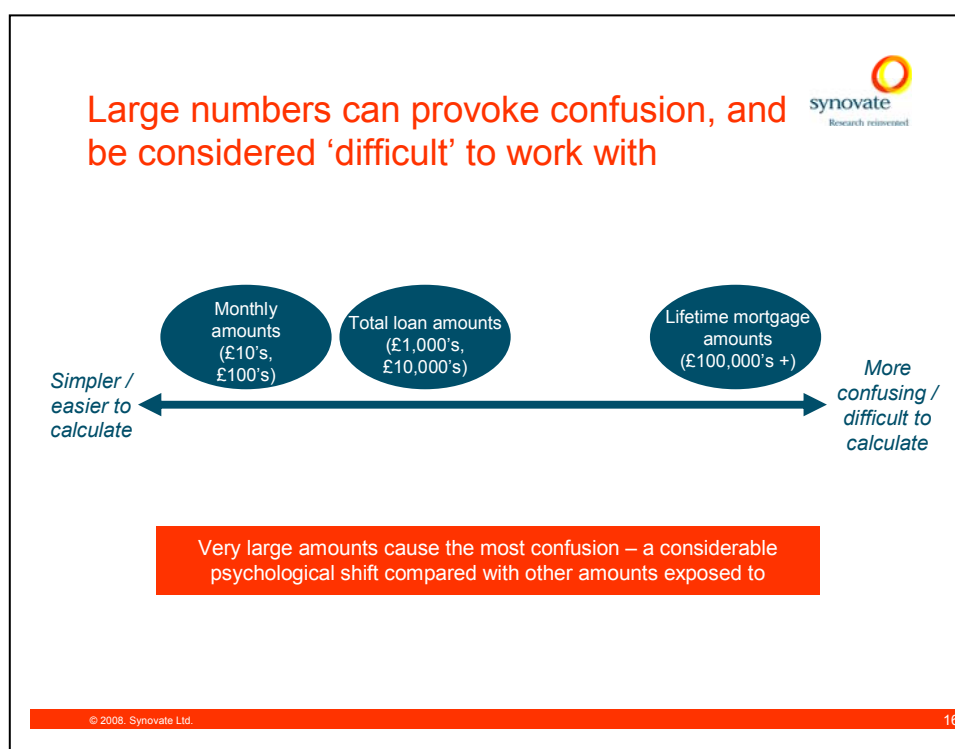
#### **2.2.4 Smaller amounts**

38. For some participants the size of figures presented had an impact on the ease with which they could understand the costs of the different components of the quotation. They explained that it can be difficult to easily see the difference between two very large numbers, compared with the difference between two smaller figures.

*“It [lifetime cost of mortgage] is the most confusing one out of them I would say. The figures are so big, whereas before [with monthly amounts] I noticed it was only five or six pounds, it takes a bit longer here to see.”* [Mortgage customer, Female, C2]

39. Some participants explained that if presented with large figures, such as those given in quotations for the lifetime cost of mortgages, they would want to work out the monthly payment amount for the reasons outlined in section 2.2.3. Most felt that this calculation would be difficult without a calculator due to the size of the numbers involved.

40. Loan customers were shown a quotation option which provided costs for the lifetime of the loan (£15,000 over five years). These participants tended not to find these amounts particularly confusing. We can therefore speculate that a considerable increase in confusion occurs when people attempt to deal with figures reaching into the hundreds of thousands, compared amounts in the tens of thousands or lower.



41. In addition to confusion and difficulty in making calculations, large monetary figures prompted a degree of concern about the size of debt, amount of interest and cost of PPI being quoted. A number of mortgage customers explained that seeing the lifetime figures relating to a loan made them feel quite worried about the amounts involved. They were concerned with the prospect of having so

much to pay. They were also frustrated by the fact that the total cost of PPI was a very sizeable amount and that they may never need to make a claim. As a result of these concerns, participants often explained that they would prefer a quotation which did not present information in this way.

*“I think when you see the bottom line that you have paid £16,500 [for PPI], that scares me.”* [Mortgage customer, Male, C1]

42. Furthermore, some participants explained that seeing lifetime figures in this way would make them stop and think in more detail about their potential purchase.

### 3 Summary and conclusions

43. Overall, consumers in the research had a reasonable understanding of the difference between repaying the loan capital, paying interest and paying for PPI.

44. Consumers usually think about their monthly payments as one single amount. However, there is evidence that some consumers think about PPI as a separate component to the capital and interest repayments. The research suggests that most consumers tend not to think about their monthly repayments as three separate components.

45. Consumers in the research had a broad understanding of the relative size of the three repayment components. However, they were less likely to have an accurate understanding of the actual proportions involved.

46. Our findings suggest that there is slightly more understanding of the size of the PPI than the size of the interest amount.

47. When the three components of a quotation are separated, consumers find it much easier to identify them. They tend to feel that separating information in this way is a more honest and transparent approach. When the PPI amount is bundled together with the other components, as is the case with commonly provided standard quotation information, consumers generally find it more difficult to identify the cost of the PPI element.

48. Generally consumers prefer quotation information expressed in cash amounts rather than percentages. Cash amounts are often considered more

relevant to making financial decisions and in general are less confusing than percentages.

49. There is a preference for quotations provided as monthly figures, as many consumers plan their finances on a monthly basis.

50. The use of very large figures in quotation information can confuse consumers and make calculations difficult. Smaller figures tend to be seen as more manageable and easier to compare.

51. Overall, quotations which require consumers to make fewer and less complicated calculations to reach useful values are preferred.

## Appendix 1 – Recruitment questionnaire

JOB NAME	JOB NO.	FINAL/DRAFT (Delete as applicable)	GROUP/ DEPTH No	Interviewer Name/ Int No	Accomp
Payment Protection	08-1612				

**PLEASE USE BLOCK CAPITALS**  
1. **What is the occupation of the member of your household with the largest income? (Chief Income Earner)**

**Position**

**Industry**

**Skill/Qualification**

**If Retired, Previous Occupation?**

**If Self-Employed/Managerial, How many employees responsible for?**

**If Civil Service/Armed Forces, What grade, what rank?**

**2. Social Class of Chief Income Earner**

- A.....1
- B.....2 Check
- C1.....3
- C2.....4 Quotas
- D.....5
- E.....6

**3. Age last birthday**

Write in here: \_\_\_\_\_

- 18 – 24.....1
- 25 – 34.....2 Check
- 35 – 44.....3
- 45 – 54.....4 Quotas
- 55 – 65.....5

**4. Sex**

- Male .....1 Check
- Female .....2 Quotas

**5. Work Status**

- Work full time .....1
- Work part time.....2
- Student .....3
- Not working nor seeking work .....4
- Unemployed .....5

**6. Marital Status**

- Single - living at home with parents ..... 1
- Single - moved away from parents..... 2
- Married/cohabiting..... 3
- Separated/widowed/divorced ..... 4

**7. Do you have any children?**

- No children ..... 1
- Children aged:
  - 0 - 5 years ..... 2
  - 6 - 10 years ..... 3
  - 11 - 15 years ..... 4
- Children 16+ at home..... 5
- Children not living at home..... 6

**8. Occupation of Respondent**

**9. Type/Method of Recruitment**

- Street .....1
- In-home .....2
- At place of work.....3
- From list.....4
- Recruiter's contact / panel.....5
- Face to Face .....6
- Telephone .....7
- Other (specify).....8

**10. UK Nationality**

Have you been Resident in the UK for longer than 12 months?

- Yes ..... 1
- No.....2

SIGNED: \_\_\_\_\_ (research project manager) DATED: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

**INTRODUCTION**

Good morning/ afternoon/ evening. I am from Synovate, an independent market research organisation, and we are conducting some group discussions / depth interviews in this area about .....  
 Can I ask you a few questions? It will take approximately ... minutes.

- X1 We are looking for people who work in certain types of jobs. Do you currently or have you ever worked in any of the following?  
**SHOW CARD A**
- X2 Do any of your family or close relatives work in any of the following?  
**SHOW CARD A**
- X3 Do any of your friends work in any of the following?  
**SHOW CARD A**

	<b>X1</b>	<b>X2</b>	<b>X3</b>
Advertising Agencies/Publicity/Creative and Design Agencies/Consultancies	1	1	1
Journalism (TV/Press/Radio), Media Independents/Publishing	2	2	2
Public Relations	3	3	3
Marketing/Sales Promotion/ Outdoor specialists (i.e. Poster Advertising)	4	4	4
Market Research	5	5	5
National Politics	6	6	6
Corporate identity companies/Direct marketing consultancies	7	7	7
Finance e.g. banking, financial advice, credit card companies	8	8	8
Consumer protection	9	9	9
None of these	10	10	10

**CLOSE IF ANY OF THE ABOVE OCCUPATIONS CODED**

QA Have you ever attended a market research group discussion / depth interview before?

YES	1	<b>GO TO QB</b>
NO	2	<b>GO TO Q1</b> (min 3 per group)

QB How many market research group discussions/ depth interviews have you ever attended?

ONE	1	
TWO	2	
<b>MORE THAN 2</b>	<b>3</b>	<b>DO NOT RECRUIT</b>

QC When was the last time you attended a group discussion / depth interview?

LESS THAN 6 MONTHS AGO	1	<b>DO NOT RECRUIT</b>
MORE THAN 6 MONTHS AGO	2	

QD On what subjects was/were the group discussion(s) / depth interviews you attended?

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**DO NOT RECRUIT ANYONE WHO HAS BEEN INTERVIEWED ON THE SUBJECT OF INSURANCE (ANY TYPE)**

IN A NUTSHELL: NB: If you have any queries at all, please call your Regional Manager

- At least one-third of each group/set of depths must be **brand new** recruits.
- The remaining two-thirds can have attended up to a maximum of 2 groups/depths in the past.
- None to have attended any group/depths in last 6 months
- None **ever** to have attended a group/depths on the same subject matter (see Q4)
- None to work in or have family or close friends who work in any of the excluded occupations listed on Showcard A

Q1. Are you the person responsible for making financial decisions about mortgages, credit cards etc?

I am solely responsible	V	
I am jointly responsible	X	
Someone else is responsible	0	CLOSE

Q2a. Have you taken out any of the following financial products in the last 12 months?

**FOR THOSE THAT THEY HAVE TAKEN OUT, ASK...**

Q2b. Do you have any insurance that means that if you cannot keep up payments on your mortgage, credit card or loan, you can receive some financial help that will cover the repayments? IF YES ASK: Have you taken out this insurance in the last 12 months? EXPLAIN IF NECESSARY: This is known as Payment Protection Insurance but some people call it repayment insurance. It is also known as Accident, Sickness and Unemployment Insurance.

	Taken out in last 12 months	Taken out PPI in last 12 months
Credit card	0	0
Mortgage	1	1
Personal or unsecured loan	2	2
Secured loan or second charge mortgage	3	3

**IF HAVE TAKEN OUT MORTGAGE PAYMENT PROTECTION INSURANCE ASK Q2C**

Q2c. Did you take out the mortgage Payment Protection Insurance via an Independent Financial Advisor (IFA)?

**CHECK QUOTA AND RECRUIT THOSE WHO HAVE BOUGHT THE RELEVANT PRODUCT WITH PPI BUT NOT USED AN IFA.**

**ASK ALL 'CREDIT CARD' RESPONDENTS**

Q3. Thinking about the scheme that you are involved with which covers the payments on your credit card, does this cover you for just one card, or all of your credit cards?

All cards	CLOSE
Just one	CONTINUE
Don't know	CLOSE

**RECRUITER NOTE.**

**Please can you ask any respondents recruited for the mortgage quota if their partner would be around during the time of the appointment and would join in. This is a "nice to have" only so the incentive will remain as outlined on your spec.**

AT END OF RECRUITMENT QUESTIONNAIRE:-

RECRUITER SAY:

The group discussion / depth interview will take place on (date) ..... at (time) and will take place at (venue)..... It will last ..... hours and you will receive £... as a token of our appreciation of your time and help.

The group discussion / depth interview will be (AS APPROPRIATE) audio-taped / video-taped / observed by someone with an interest in this research – for example from the company for whom it is being conducted / taking place in a viewing facility, where one or more people who have an interest in this research will be able to see you and hear what you say.

The answers you give will form part of a confidential market research study. They will be analysed along with those of many others and will never be linked back to you personally. The results will be used solely for the purposes of this Market Research Study.

Thank you very much for your help with this study. I will contact you a day or 2 before the group / depth to confirm that you are still able to attend. You may also receive a phone call from our Quality Control department to check that the recruitment has been carried out correctly (hand respondent invitation). Your details will be held electronically for internal administration purposes.

FINALLY:-

**Can we contact you again in the future about this study?**

	Yes	1
	No	2

Can we contact you again in the future about other market research studies we may be conducting?

	Yes	1
	No	2

FULL NAME OF RESPONDENT: \_\_\_\_\_

HOME ADDRESS: \_\_\_\_\_

\_\_\_\_\_ POST CODE: \_\_\_\_\_

**[FOR RESPONDENTS UNDER 14 YEARS, PARENTAL CONSENT MUST BE GIVEN.  
OBTAIN SIGNATURE OF PERMISSION FROM PARENT/GUARDIAN]**

SIGNATURE OF PARENT/GUARDIAN: \_\_\_\_\_

TEL NO. (HOME): \_\_\_\_\_ (PLACE OF WORK): \_\_\_\_\_

MOBILE: \_\_\_\_\_

BEST TIME TO CONTACT (HOME): \_\_\_\_\_ AM/PM (PLACE OF WORK): \_\_\_\_\_ AM/PM

HOW RECRUITED (EG. STREET/TELEPHONE ETC): \_\_\_\_\_

DAY, DATE AND TIME OF GROUP/DEPTH: \_\_\_\_\_

GIVE RESPONDENT AN INVITATION/THANK YOU LEAFLET.

Please CLEARLY PRINT all details onto the respondent contact sheet.

I declare that the respondent, whose name and address appear above, was unknown to me until the interview. I confirm that before returning this questionnaire, I have checked that it meets and was carried out in accordance with the MRS code of conduct and instructions supplied to me for this study. I understand that the information given to me during the course of this screening interview must be kept confidential.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Interviewer Name (please print name in full): \_\_\_\_\_

**Return of recruitment questionnaires**

Completed recruitment questionnaires, respondent contact sheets and pay claims must be posted to Synovate Holford Mews by RECORDED DELIVERY in order to comply with the data protection guidelines. PLEASE ENSURE THESE ITEMS ARE POSTED PROMPTLY.

## Appendix 2 – Discussion guide

## **DISCUSSION GUIDE**

### **PRESENTING PRICING INFORMATION – 08-1612**

**45 MINS**

#### **PROJECT OBJECTIVES**

- A) To understand to what extent typical PPI customers understand the prices of the different elements of the financial products they have purchased.
- B) Are they clear on the differences between repaying the loan capital, paying interest and paying for repayment protection insurance?
- C) Do they have a ready sense of the approximate relative sizes of these costs?
- D) Given standard quotation information, are they able to identify the different cost elements?
- E) In addition to the standard costs that are routinely provided - cost per month for a bundle of credit and PPI; cost per month for the credit alone; APR for the credit - to explore whether customers might understand and use other cost measures to compare credit options, including the various stimulus material used.
- F) Are there ways of presenting some or all of these various cost measures together that customers find particularly helpful or particularly confusing?

**1. INTRODUCTION (2 MINS)**

- Welcome, introduce Synovate and topic (Payment Protection Insurance products)
- Timing, tape recording, viewing, switch off mobiles
- Reassure on anonymity and confidentiality
- Introductions: name, occupation, family situation, what would be doing if not here tonight/ today

**2. TYPE OF PRODUCT HELD (5 MINS)**

*Moderator: check against recruitment criteria to establish which product this respondent holds and phrase questions in this section accordingly.*

- I understand from my colleague who asked you to take part in this research that you have a mortgage. Can you please tell me a bit about why you took this out? (*Moderator: re-phrase according to product type*)
- So which provider or company did you take this out with?
- [ONLY FOR CREDIT CARD] How do you deal with your credit card repayments? (i.e. pay off completely every month, keep outstanding balance, ...)
- What, if any, were your expectations when you took out this mortgage (or credit card or loan)?
- And what, if any, concerns or fears did you have?
- What about any concerns or fears around not being able to pay off the mortgage (or credit card or loan) if you became sick or lost your job?
- How would you cope if this happened?
- What was offered to you?
- What did you think about it?
- With regards to repayment what were the different things you were paying for? (*Moderator: these will be the loan/ capital, interest and the PPI*)



### 3. PERCEPTIONS OF PAYMENT PROTECTION INSURANCE (5 MINS)

*Moderator: again phrase questions in this section according to type of product held. For those with credit cards make sure you distinguish between PPI and Card Protection.*

*Throughout the interview always refer to it as Payment Protection insurance in full as it will keep the respondent focused on the meaning of the insurance and not confuse them with jargon.*

- Have you heard of the term Payment Protection Insurance? *(If necessary say: some people call it repayment insurance. It is also known as Accident, Sickness and Unemployment Insurance or Loan Protection)*
  - *Moderator: If No, prompt using terms in recruitment screener: “Do you have any insurance that means that if you cannot keep up payments on your mortgage, credit card or loan, you can receive some financial help that will cover the repayments?”*
- What comes to mind when I say this phrase to you?
- How did you go about obtaining Payment Protection Insurance?
- Did you purchase the PPI offered with the provider or did you choose to ‘shop around’?
  - If you shopped around how easy was this process?
  - Overall, how satisfied were you with the whole process?
- So let’s talk a bit about why you purchased Payment Protection Insurance?
  - What does it cover?

*Moderator: for credit card customers please also ask*

- Does it cover just the one credit card?

*Moderator: if respondent answers yes, continue as below.*

*If they answer check:*

- *Have ‘Barclays Plan B’: this is PPI that covers all credit cards*
- *if not ‘Barclays Plan B’ and say it covers lots of cards then explain that we want to focus on the one that covers them for accident, unemployment and sickness etc for one card and not an insurance that also covers for fraud etc across several credit cards.*



synovate

Research reinvented

- What were the different things you were paying for? (*Moderator: these will be the loan/ capital, interest and the PPI*)
- *For PPI probe*
  - Do you pay for it monthly?
  - What does it cover?
- How did you feel about the cost?
  - For the overall bundle of loan amount (loans only), interest and Payment Protection Insurance?
  - Do you have a sense of the approximate relative sizes of these costs?
- For the Payment Protection Insurance element specifically?
  - Was it broken down? If so how?
  - What, if any, information had you seen about it?
  - Who provided that information?
- So now how do you feel about it having bought it?
- Would you buy PPI again if you were to take out another loan?

#### 4. PRICING INFORMATION OPTIONS (30 MINS)

*Moderator: explain that we now want to show them some different scenarios around Payment Protection Insurance and discuss these*

*Moderator: there are some specific questions to be asked around each option as well. These are below. If necessary, reassure respondent that it is not him that is being tested but the way prices are shown.*

*Show Option 1 and ask (**Rotate presentation across depths**)*

Option Boards
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- So what were your initial thoughts?
- If you had to go home tonight and explain this to your partner or friend / colleague, how would you explain it to them?
- What is it trying to say to you? What is the message it's trying to get across?
- How easy is it to understand this way of showing information about Payment Protection Insurance?
- How is this broken down? What exactly are you paying for?



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- How much is the loan repayment amount? *Moderator: for a credit card assume that the outstanding 'loan' or balance on the credit card is £500 per month*
- How much is the interest amount? *Moderator: for most, you can't see the interest amount*
- How much is the Payment Protection Insurance part of it? *Moderator: Only 3b and 6 options are capable of getting a precise numerical answer*
- How does the Payment Protection Insurance feel in terms of cost? Does it feel inexpensive / expensive, why?
- How easy it is for you to compare prices shown in this way?

*Repeat for remaining options*

*Moderator now ask specific questions for each option:*

- **Option 1:** Cost per month for a bundle of credit and PPI
  - How do you feel about the total figure being the combination of credit and Payment Protection Insurance?
  - What are the advantages of having it shown like this?
  - And what about the drawbacks of showing it like this?
- **Option 2:** "Combined APR" for credit interest and insurance together
  - How do you feel about the total figure being the combined APR of credit interest and Payment Protection Insurance?
  - What are the advantages of having it shown like this?
  - And what about the drawbacks of showing it like this?
- **Option 3a:** Monthly cash costs for loan capital, interest and insurance (interest and insurance together) **(NOT FOR CREDIT CARDS)**
  - How do you feel about seeing the costs for a monthly basis?
  - How do you feel about having the costs of the interest and Payment Protection Insurance put together? And with the loan amount (capital) detailed alongside?
  - What are the advantages of having it shown like this?

- And what about the drawbacks of showing it like this?
- **Option 3b:** Monthly cash costs for loan capital, interest, insurance (interest and insurance separate)
  - How do you feel about seeing the costs for a monthly basis?
  - How do you feel about having the costs of the loan amount (capital), interest and Payment Protection Insurance included separately in this way?
  - What are the advantages of having it shown like this?
  - And what about the drawbacks of showing it like this?
- **Option 4:** Loan lifetime costs for interest and insurance (**NOT FOR CREDIT CARD**)
  - How do you feel about seeing the loan costs over a lifetime?
  - And how do you feel about these covering both interest and Payment Protection Insurance?
  - What are the advantages of having it shown like this?
  - And what about the drawbacks of showing it like this?
- **Option 5:** Cost in £'s for £100 of benefit (**NOT APPLICABLE FOR CREDIT CARDS**)
  - How do you feel about seeing the pricing information displayed like this?
  - What are the advantages of having it shown like this?
  - And what about the drawbacks of showing it like this?
- **Option 6:** XXp for £x of balance (**CREDIT CARD ONLY**)
  - How do you feel about seeing the pricing information displayed like this?
  - What are the advantages of having it shown like this?
  - And what about the drawbacks of showing it like this?

- **Option 7: £x for £1,000 of loan (LOAN ONLY)**
  - How do you feel about seeing the pricing information displayed like this?
  - What are the advantages of having it shown like this?
  - And what about the drawbacks of showing it like this?

## 5. **SUMMING UP (5 MINS)**

- So which option is easiest to understand? How come?
- Do you understand which cost elements are comparable when looking at different PPI options? In other words, can you compare Options 1 against 2 or against 3a etc?
  - Which ones can you compare against each other?
- Which communicates price and cost most clearly? How come?
- Which is most user friendly? How come?
- Any final comments?
- Thank and close

## Appendix 3 – Pre-interview questionnaire

## Background



Thank you so much for agreeing to help us with our research.

We often ask people to complete a task for us before we meet them. It is useful for a couple of reasons: it helps us to understand a bit more about you and gives you an idea of the types of topics that we will be discussing. There are no right or wrong answers, we just want to gather your personal views.

We would be grateful if you could complete these few questions before the interview – it shouldn't take too long. If you have any questions please call us.

We look forward to meeting you.

Anjul Sharma      Paul Rieger  
077 6666 7648      079 7112 9121

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## Please tell us a bit about yourself



Your name

Who else is in the family?

What do you do during the day (i.e. what is your current job)?

What do you like doing in your spare time?

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## And now can you tell us about insurance you may have taken out on your credit card, mortgage or loan?



Q1. Do you have any insurance that means that if you cannot keep up payments on your mortgage, credit card or loan, you can receive some financial help that will cover the repayments? (This is known as Payment Protection Insurance but some people call it repayment insurance. Others call it Accident, Sickness and Unemployment Insurance).

Q2. Which company did you take this out with?

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Q3. How did you first hear about this kind of insurance?

Q4. How and where did you take the insurance out?

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Q5. What are the benefits of this insurance for you?

Q6. And are there any drawbacks with this type of insurance for you?

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Q7. How much did the insurance cost you each month?

Q8. And do you view the insurance as being good value for money?

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## Appendix 4 – Stimulus material (loans)

# Loan Options

## Loan Option 1



Hi. I'm Jane and I'm considering taking out a loan for £15,000 over 4 years. The cost of repaying the loan, including interest is £357.50 per month and the APR is 6.9%.

At the same time, I am considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my loan. They call this Payment Protection Insurance (PPI).

I was given three quotes from different loan providers for the monthly loan repayments, including Payment Protection Insurance which are shown below.

### Quote A

- £408

### Quote B

- £414

### Quote C

- £420

## Loan Option 2



Hi. I'm Jane and I'm considering taking out a loan for £15,000 over 4 years. The cost of repaying the loan, including interest is £357.50 per month and the APR is 6.9%.

At the same time, I am considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my loan. They call this Payment Protection Insurance (PPI).

I was given three quotes from different loan providers, which give the combined APR (Annual Percentage Rate) for the interest on the loan and the Payment Protection Insurance.

### Quote A

- 14.68%

### Quote B

- 15.54%

### Quote C

- 16.40%

## Loan Option 3a



Hi. I'm Jane and I'm considering taking out a loan for £15,000 over 4 years. The cost of repaying the loan, including interest is £357.50 per month and the APR is 6.9%.

At the same time, I am considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my loan. They call this Payment Protection Insurance (PPI).

I was given three quotes from different loan providers, which give the average monthly repayment costs for the capital / loan repayment amount, interest on the loan and Payment Protection Insurance.

### Quote A

- Capital / loan repayment amount £312.50
- Interest and Payment Protection Insurance: £96

### Quote B

- Capital / loan repayment amount £312.50
- Interest and Payment Protection Insurance: £101

### Quote C

- Capital / loan repayment amount £312.50
- Interest and Payment Protection Insurance: £107

## Loan Option 3b



Hi. I'm Jane and I'm considering taking out a loan for £15,000 over 4 years. The cost of repaying the loan, including interest is £357.50 per month and the APR is 6.9%.

At the same time, I am considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my loan. They call this Payment Protection Insurance (PPI).

I was given three quotes from different loan providers, which give the average monthly repayment costs for the capital / loan repayment amount, interest on the loan and Payment Protection Insurance.

### Quote A

- Capital / loan repayment amount £312.50
- Interest £45
- Payment Protection Insurance £51

### Quote B

- Capital / loan repayment amount £312.50
- Interest £45
- Payment Protection Insurance £57

### Quote C

- Capital / loan repayment amount £312.50
- Interest £45
- Payment Protection Insurance £63

## Loan Option 4



Hi. I'm Jane and I'm considering taking out a loan for £15,000 over 4 years. The cost of repaying the loan, including interest is £357.50 per month and the APR is 6.9%.

At the same time, I am considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my loan. They call this Payment Protection Insurance (PPI).

I was given three quotes from different loan providers, which give the lifetime costs of the capital / loan repayment amount, interest and Payment Protection Insurance.

### Quote A

- Capital / loan repayment amount £15,000
- Interest £2,138
- Payment Protection Insurance £2,457

### Quote B

- Capital / loan repayment amount £15,000
- Interest £2,138
- Payment Protection Insurance £2,730

### Quote C

- Capital / loan repayment amount £15,000
- Interest £2,138
- Payment Protection Insurance £3,003

## Loan Option 5



Hi. I'm Jane and I'm considering taking out a loan for £15,000 over 4 years. The cost of repaying the loan, including interest is £357.50 per month and the APR is 6.9%.

At the same time, I am considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my loan. They call this Payment Protection Insurance (PPI).

I was given three quotes from different loan providers, which give the cost of Payment Protection Insurance per £100 of insurance pay out.

### Quote A

- Payment Protection Insurance per £100 of pay out: £13.50

### Quote B

- Payment Protection Insurance per £100 of pay out: £15.75

### Quote C

- Payment Protection Insurance per £100 of pay out: £17.44

## Loan Option 7



Hi. I'm Jane and I'm considering taking out a loan for £15,000 over 4 years. The cost of repaying the loan, including interest is £357.50 per month and the APR is 6.9%.

At the same time, I am considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my loan. They call this Payment Protection Insurance (PPI).

I was given three quotes from different loan providers, which give the cost of Payment Protection Insurance for each £1,000 of my loan that is outstanding.

### Quote A

- Cost per £1,000 of the total amount repayable : £135.02

### Quote B

- Cost per £1,000 of the total amount repayable: £157.52

### Quote C

- Cost per £1,000 of the total amount repayable : £174.40

## Appendix 5 – Stimulus material (mortgages)

# Mortgage Option 1



Hi. I'm Bob and I'm considering taking out a mortgage for £150,000 over 25 years. The cost for repaying the mortgage, including interest is £1,031 per month and the APR is 6.9%.

At the same time, I am also considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my mortgage. They call this Payment Protection Insurance (PPI).

I was given three quotes from different mortgage providers for the monthly mortgage repayments, including Payment Protection Insurance, which are shown below.

### Quote A

- £1,085

### Quote B

- £1,092

### Quote C

- £1,098

# Mortgage Option 2



Hi. I'm Bob and I'm considering taking out a mortgage for £150,000 over 25 years. The cost for repaying the mortgage, including interest is £1,031 per month and the APR is 6.9%.

At the same time, I am also considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my mortgage. They call this Payment Protection Insurance (PPI).

I was given three quotes from different mortgage providers, which give the combined APR (Annual Percentage Rate) for the interest on the mortgage and the Payment Protection Insurance.

### Quote A

- 7.51%

### Quote B

- 7.58%

### Quote C

- 7.65%

## Mortgage Option 3a



Hi. I'm Bob and I'm considering taking out a mortgage for £150,000 over 25 years. The cost for repaying the mortgage, including interest is £1,031 per month and the APR is 6.9%.

At the same time, I am also considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my mortgage. They call this Payment Protection Insurance (PPI).

I was given three quotes from different mortgage providers, which give the average monthly repayment costs for the capital / loan repayment amount, interest on the mortgage and Payment Protection Insurance.

### Quote A

- Capital / loan repayment amount £500
- Interest and Payment Protection Insurance: £585.89

### Quote B

- Capital / loan repayment amount £500
- Interest and Payment Protection Insurance: £592.01

### Quote C

- Capital / loan repayment amount £500
- Interest and Payment Protection Insurance: £598.13

## Mortgage Option 3b



Hi. I'm Bob and I'm considering taking out a mortgage for £150,000 over 25 years. The cost for repaying the mortgage, including interest is £1,031 per month and the APR is 6.9%.

At the same time, I am also considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my mortgage. They call this Payment Protection Insurance (PPI).

I was given three quotes from different mortgage providers, which give the average monthly repayment costs for the capital loan repayment amount, interest on the mortgage and Payment Protection Insurance.

### Quote A

- Capital / loan repayment amount £500
- Interest £530.78
- Payment Protection Insurance £55.11

### Quote B

- Capital / loan repayment amount £500
- Interest £530.78
- Payment Protection Insurance £61.23

### Quote C

- Capital / loan repayment amount £500
- Interest £530.78
- Payment Protection Insurance £67.35

## Mortgage Option 4



Hi. I'm Bob and I'm considering taking out a mortgage for £150,000 over 25 years. The cost for repaying the mortgage, including interest is £1,031 per month and the APR is 6.9%.

At the same time, I am also considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my mortgage. They call this Payment Protection Insurance (PPI).

I was given three quotes from different mortgage providers, which give the lifetime costs (over 25 years) of the mortgage for interest and Payment Protection Insurance.

### Quote A

- Interest £159,234
- Payment Protection Insurance £16,531

### Quote B

- Interest £159,234
- Payment Protection Insurance £18,369

### Quote C

- Interest £159,234
- Payment Protection Insurance £20,205

## Mortgage Option 5



Hi. I'm Bob and I'm considering taking out a mortgage for £150,000 over 25 years. The cost for repaying the mortgage, including interest is £1,031 per month and the APR is 6.9%.

At the same time, I am also considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my mortgage. They call this Payment Protection Insurance (PPI).

I was given three quotes from different mortgage providers, which give the cost of Payment Protection Insurance for £100 of insurance pay out.

### Quote A

- Payment Protection Insurance per £100 of pay out: £4.30

### Quote B

- Payment Protection Insurance per £100 of pay out: £5.38

### Quote C

- Payment Protection Insurance per £100 of pay out: £7.17

## Appendix 6 – Stimulus material (credit cards)

## Credit Card Option 1



Hi. I'm Tom and I'm considering taking out a new credit card and transferring my existing balance onto it. I'll use the card regularly and pay off a proportion of the balance every month. I expect that on average I will have an outstanding balance of £500. The APR is 13.9%.

At the same time, I am considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my card. They call this Payment Protection Insurance (PPI).

I estimated costs from three different credit card providers for the monthly payments of interest and Payment Protection Insurance for the outstanding balance of £500, which are shown below

### Quote A

- £9.01

### Quote B

- £9.40

### Quote C

- £9.80

## Credit Card Option 2



Hi. I'm Tom and I'm considering taking out a new credit card and transferring my existing balance onto it. I'll use the card regularly and pay off a proportion of the balance every month. I expect that on average I will have an outstanding balance of £500. The APR is 13.9%.

At the same time, I am considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my card. They call this Payment Protection Insurance (PPI).

I was given quotes from three different credit card providers for the outstanding balance, which give the combined APR (Annual Percentage Rate) for the interest on the credit card and the Payment Protection Insurance

### Quote A

- 23.9%

### Quote B

- 25.1%

### Quote C

- 26.2%

## Credit Card Option 3b



Hi. I'm Tom and I'm considering taking out a new credit card and transferring my existing balance onto it. I'll use the card regularly and pay off a proportion of the balance every month. I expect that on average I will have an outstanding balance of £500. The APR is 13.9%.

At the same time, I am considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my card. They call this Payment Protection Insurance (PPI).

I estimated costs from three different credit card providers for the outstanding balance which give the separate monthly repayment costs on the outstanding balance of the interest on the balance and the Payment Protection Insurance

### Quote A

- Outstanding balance £500
- Interest £5.45
- Payment Protection Insurance £3.56

### Quote B

- Outstanding balance £500
- Interest £5.45
- Payment Protection Insurance £3.95

### Quote C

- Outstanding balance £500
- Interest £5.45
- Payment Protection Insurance £4.35

## Credit Card Option 6



Hi. I'm Tom and I'm considering taking out a new credit card and transferring my existing balance onto it. I'll use the card regularly and pay off a proportion of the balance every month. I expect that on average I will have an outstanding balance of £500. The APR is 13.9%.

At the same time, I am considering taking out insurance which means that if I lose my job, have an accident or became ill, I will get help with the repayments on my card. They call this Payment Protection Insurance (PPI).

I was given quotes from three different credit card providers for the cost of PPI per £100 of the outstanding balance.

### Quote A

- Payment Protection Insurance per £100 of outstanding balance: 63p

### Quote B

- Payment Protection Insurance per £100 of outstanding balance: 79p

### Quote C

- Payment Protection Insurance per £100 of outstanding balance: 93p