



The Inquiry Manager
PPI Remittal
Competition Commission
Victoria House
Southampton Row
London
WC1B 4AD

Dear Sir,

Express Gifts Limited (EGL) welcomes the opportunity to respond to the Supplementary Notice of Possible Remedies for Retail PPI. We have previously responded to Competition Commission (CC) PPI consultation documents as part of our trade association, The British Retail Consortium.

Our comments on the proposed remedies are as follows:

Option 1. A prohibition on selling PPI at the credit point of sale combined with the provision of a personal PPI quote

At present EGL does not offer a PPI product either at the point of sale of credit or later in the customer account life cycle. We do agree with the Competition Commission's view that for retailers that do make such an offer then this is among the higher-cost remedies in the original remedy package proposed for retail PPI. Following the new evidence that you have from the recent customer survey we agree with the conclusion reached that such a point of sale prohibition would not encourage sufficient customers to search for alternative PPI cover to generate competition between providers. On that basis we do not feel that this is an effective remedy.

Option 2. Information provision in marketing materials

We do agree, in principal, with this requirement as there can never be any objection to the provision of meaningful information to customers. There is a concern that the provision of too much information – or meaningless information – will actually stop customers from reading the information especially as there is already a requirement under FSA Financial Promotion rules to publish certain information. In addition if a PPI advert is combined with a credit advert the new Consumer Credit Directive will introduce credit advertising requirements which when added to the existing and proposed PPI requirements will simply overload a customer with information which they will choose not to use and would be in danger of breaching the FSA's principle that information should be clear, fair and not misleading.

It is therefore important to ensure that only the information that is necessary to meet this remedy is provided as there is a real danger that too much “small print” will mean that nothing is read.

Option 3. Provision of information to the OFT and CFEB for monitoring and publication to provide information about claims ratios to any party on request

We are of the opinion that sharing claims ratios is of no relevance to retail PPI customers nor would it be of any benefit to them. Retail PPI is written on a “scheme” basis and is not individually underwritten. The customer benefits from this arrangement as previous claims history has never affected the level of future premiums nor eligibility for taking out a new policy. We do not believe that the majority of retail PPI customers would understand what claims ratios were intended to demonstrate without a detailed and complex explanation which again would not be appropriate for the majority of our customers.

Option 4. A prohibition on the selling of single-premium policies

We do not and have never offered single premium policies and therefore have no comment to make on the proposed prohibition.

Option 5. A requirement to unbundle retail PPI from merchandise cover

From the customer research undertaken on behalf of the CC it is clear that our customers like the comprehensive cover provided by a bundled package and that such customers do not search for alternative PPI cover. Whilst, in principal, we would be able to unbundle the retail PPI from the Merchandise cover we believe that the vast majority of our customers will not undertake a search of alternative PPI cover and therefore this measure would not be effective.

Option 6. Obligation to provide an annual review

We agree with the CC’s view that this is one of the higher cost remedies and as previously mentioned with little appetite from retail PPI customers to shop around we would believe that the additional costs will outweigh the benefits for all but a small percentage of retail PPI customers.

As your customer research has shown our customers take a monthly view on their finances and consider that the insurance premium charged by us to be fairly small and not a significant monthly outlay. To help our customers’ budget in this way we ensure that the monthly premium is clearly stated on their regular account statement.

Such a review process would increase the administration cost of operating the policy significantly with the danger that premiums may have to rise to offset these cost increases.

To provide an additional annual statement would not provide customers with any extra benefit and may lead to confusion and would therefore not be an effective remedy.

Option 7. Obligation to remind customers of their cancellation rights and of key messages

In principal we would not have any objection to providing customers with a regular reminder of their cancellation rights both before the end of the “cooling-off” period and on an annual basis thereafter. If these reminders were sent to all customers we believe that there would be no need to provide customers with the annual review as set out in Option 6.

We feel that the appropriate place for this reminder would be with the regular account statement that our customers receive. This is the point where they see their monthly PPI premium set out and where they will budget for the coming month and so is the point at which they are most likely to consider the ongoing requirement for the policy. To remind them of their cancellation rights at this point would be more appropriate than to send out an annual statement that will be sent separately to their regular account statements and as such will not be expected or, we feel, seriously considered by our customers.

Option 8. Obligation to renew retail PPI policies annually on an opt-in basis

We are extremely concerned that this option works to the consumer’s detriment. We believe that there would be many instances where it will not be possible to contact a customer to arrange the annual renewal and that the cover will therefore cease inadvertently leaving consumers unintentionally uninsured. We feel that that this breaches the Treating Customers Fairly principle as any claim subsequently received would be declined. Should a customer, having had a policy cease in this way, wish to reinstate cover this will be treat as the sale of a new policy and will be subject to new waiting periods and any new pre-existing medical conditions.

As the CC’s own research has shown retail PPI customers would not take the opportunity of searching for alternative cover if presented with more time at the point of sale. In the same way we do not feel that such a renewal process would be used by customers to search for alternatives.

Such a renewal process would increase the administration cost of operating the policy significantly with the danger that premiums may have to rise to offset these cost increases.

As we provide our customers with a regular reminder of the cost of their cover on their regular account statements we believe that our customers have the opportunity to consider whether the cover remains appropriate for their needs when they are doing their monthly budgeting. In addition if Option 7 is adopted this will reinforce this customer review of their policy and therefore we do not feel that this option would be necessary.

Option 9. Price caps

It seems disproportionate to cap the premium price of just a handful of firms operating in the PPI market place especially when it is recognised that the premiums paid by the customers of those firms are the lowest payable in the PPI market place due to the lower balances that the premiums are charged upon.

We believe that with such a price cap in place policy innovation will be stifled and all the policies currently on offer will become very similar and will be charged at the same price. This will prevent any new entrants entering the market place and so stifle competition and so preventing those customers who do wish to search for alternative cover being able to do so effectively as there will be no real alternatives available.

If you require any additional information or clarification on any of the points raised in this response please do not hesitate to contact me.

Yours sincerely,

N.M. Malik
Financial Services Director