



News Release

26/10

29 July 2010

RETAIL PPI—CC CONSULTS ON MEASURES

The Competition Commission (CC) is consulting on changes to the way retail payment protection insurance (retail PPI) is sold. In a document [published](#) today, the CC outlines changes that will see clearer information provided to customers on the cost of retail PPI cover and their rights; ‘unbundling’ PPI from merchandise cover and a requirement for providers to supply information to the new Consumer Financial Education Body (CFEB) for its price comparison tables.

Retail PPI is a small part of the overall PPI market relating to protection taken out on repayments for shopping through home catalogues, typically accounting for about 2.5 per cent of PPI gross written premium paid by customers.

In May 2010, the CC [provisionally decided](#) that consumers would benefit from the introduction of a point-of-sale prohibition for all other forms of PPI, but provisionally decided to consider excluding retail PPI from this requirement. Although, like other forms of PPI, distributors of retail PPI face little or no competition when selling the product, the CC has not been convinced that in this case the advantages for retail PPI customers of introducing the prohibition would outweigh the costs—not least because research suggests that many customers are unlikely to search for alternatives given the relatively small sums typically involved.

The CC will publish its final decision on whether to implement the point-of-sale prohibition for other forms of PPI in the early autumn.

The full list of proposed measures for retail PPI is as follows:

- an obligation to offer PPI separately from merchandise cover if both are offered as a bundled product;
- an obligation to provide information about the cost of PPI and ‘key messages’ in marketing materials;
- an obligation to provide information to CFEB for publication and to provide information about claims ratios to any party on request;
- a recommendation to CFEB that it uses the information provided to it under the above obligation to populate its PPI price comparisons table;

- an obligation to provide a personal PPI quote to customers before the end of the cooling-off period;
- an obligation to provide customers who have spent more than £50 on retail PPI premiums in the preceding 12 months with a written annual review of PPI costs including a reminder of the customer's right to cancel;
- an obligation to remind all active customers of their cancellation rights and of key messages on an annual basis; and
- a prohibition on the sale of single-premium PPI policies and on charges which have a similar economic effect.

The final CC report into PPI was [published](#) in January 2009 and was the subject of a legal challenge to the Competition Appeal Tribunal (CAT) by Barclays, supported by Lloyds Banking Group and Shop Direct Group Financial Services Ltd. Whilst upholding the CC's conclusions as to the competition problems in this market, the CAT [ruled](#) that the CC must in particular consider further the role and importance of a potential drawback to the point-of-sale prohibition, namely that it might inconvenience customers.

Since then, the CC has carried out a detailed analysis of the likely effects of such a prohibition including undertaking customer surveys, and an assessment of parties' internal documents and of various experiments looking at the possible impact of splitting the sales processes of credit and PPI.

The CC will now invite comments on its proposals for retail PPI before publishing its final verdict along with that for the rest of the market in September. Comments on the draft decision are now invited by 3 September 2010. They should be made in writing to: ppi@cc.gsi.gov.uk or:

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

Notes for editors

1. The CC is an independent public body, which carries out investigations into mergers, markets and the regulated industries.
2. The members of the PPI remittal group are Peter Davis (Group Chairman and CC Deputy Chairman), Professor John Baillie, Professor John Cubbin and Malcolm Nicholson. Christopher Bright and Richard Farrant sat on the original inquiry group but have since stood down. Malcolm Nicholson was appointed in their place.
3. For more details on the PPI investigation please visit: www.competition-commission.org.uk/inquiries/ref2007/ppi/index.htm.
4. Enquiries should be directed to [Rory Taylor](#) or [Siobhan Allen](#) or by telephoning 020 7271 0242.