



# News Release

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## PPI—CC CONSULTS ON DRAFT ORDER

The Competition Commission (CC) has today published a draft Order for consultation setting out how measures to introduce competition into the Payment Protection Insurance (PPI) market will be implemented.

This follows the CC's confirmation [last month](#) that a central part of the planned package of measures—the point-of-sale prohibition for all forms of PPI (with the exception of retail PPI<sup>1</sup>)—would benefit customers.

The CC will be introducing the following package of measures for all forms of PPI (except retail PPI):

- a prohibition on selling PPI at the point of sale of the credit until after seven days after the credit sale or, if later, the supply of a personal PPI quote;
- an obligation to provide a personal PPI quote, setting out the cost of PPI along with details of the cover provided;
- an obligation to provide information in marketing material about the cost of PPI and 'key messages', for example making it clear that PPI is optional and available from other providers;
- an obligation to provide information to the Office of Fair Trading and the Consumer Financial Education Body (CFEB) for monitoring and publication;
- an obligation to provide information about claims ratios to any person on request;
- a recommendation to the CFEB that it uses the information provided to it to populate its PPI comparison tables;
- a prohibition on the selling of single-premium PPI policies;
- an obligation to provide an annual review of the cost of PPI and a reminder of the consumer's right to cancel; and

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<sup>1</sup>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.

- compliance reporting requirements, including commission of independent ‘mystery shopping’ exercises.

The draft Order sets out in detail how these measures—and the package of remedies for retail PPI, which incorporates some of these measures as well as an obligation to ‘unbundle’ retail PPI from merchandise cover—will be implemented. The draft Order includes templates for the personal PPI quotes and annual reviews. The CC has carried out consumer research in order to ensure that the improved customer information contained in personal PPI quotes and annual reviews is set out in a clear, consistent and easily understandable format. It is planned to introduce the measures in two phases to coincide with annual Government common commencement dates (6 April and 1 October) for new legislation and regulations and also to allow sufficient implementation time for providers. Some of the information requirements will therefore come into force in October 2011 and the point-of-sale prohibition and other measures in April 2012.

The full package of measures was initially outlined in January 2009 when the CC published its [final report](#) into PPI, concluding that businesses that offer PPI alongside credit face little or no competition when selling PPI to their credit customers. However, the report and in particular the proposed point-of-sale prohibition were the subject of a legal challenge last year 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 it must in particular consider further the role and importance of a potential drawback to the prohibition, namely that it might inconvenience customers.

Comments on the draft order are now invited by 6 January 2011. They should be made in writing to [PPI@cc.gsi.gov.uk](mailto:PPI@cc.gsi.gov.uk) or:

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

The CC will consider these comments before finalizing the order.

For more details on the final report and the inquiry as a whole please visit:  
[www.competition-commission.org.uk/inquiries/ref2007/ppi/index.htm](http://www.competition-commission.org.uk/inquiries/ref2007/ppi/index.htm).

## 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 were 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](http://www.competition-commission.org.uk/inquiries/ref2007/ppi/index.htm).
4. Enquiries should be directed to [Rory Taylor](#) or [Siobhan Allen](#) by telephoning 020 7271 0242 or by email.