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The Inquiry Secretary
(PPI Investigation)
Competition Commission
Victoria House
Southampton Row
London WC1B 4AD

4 December 2008

Our ref: PPI

Dear Sir or Madam

Market Investigation into Payment Protection Insurance (PPI) Provisional Decision on Remedies

This is the Financial Services Consumer Panel's response to the Commission's provisional decision on PPI remedies, published on 13 November. The Panel welcomes the Commission's proposals which will, in our view, go a long way towards addressing the areas of significant consumer detriment that have been prevalent in the PPI market and which have arisen as a direct result of industry bad practice.

Of particular importance are: the prohibition on the sale of PPI by a distributor within 14 days of the credit sale; the prohibition on selling single-premium PPI policies; and the requirement to provide a personal PPI quote. Recent enforcement action by the FSA has demonstrated that many PPI providers simply cannot be trusted to sell these products responsibly and that this robust action is entirely justified. The list of firms subject to disciplinary action by the FSA for PPI failings is depressingly long and includes such household names as HFC Bank (fined over £1m) and Alliance & Leicester (fined £7m), as well as retail businesses such as Land of Leather (fines were imposed on the firm and on the Chief Executive). We will be asking the FSA to keep a watchful eye on the PPI market and we expect continued non-compliance to be heavily penalised.

With the increased level and quality of product disclosure that will be required under the new arrangements, however, financially capable consumers should be in a position to shop around and make an informed selection of PPI cover that will meet their individual needs and circumstances. We will be pursuing with the FSA the possibility of a leaflet for consumers with the FSA's Moneymadeclear 'brand' which is provided to consumers at point of sale that explains PPI and also Income Protection Insurance which can be a viable alternative for many. This could go some way to addressing the risk that borrowers will not seek out insurance products after entering into a credit agreement.

The Panel remains concerned about existing PPI policyholders who bought a policy in good faith, but who were in fact mis-sold. The Panel understands that the length of time a policy has been in force will greatly impact on what the best redress solution for any one individual should be. Given the scale of the mis-selling, this is

not an unlikely scenario. In these circumstances we would like those involved to adopt a pragmatic approach that takes full account of the particular circumstances of the individual concerned. We would be happy to engage in discussions with the relevant parties on this point.

Yours sincerely

A handwritten signature in black ink, appearing to read "Adam Phillips". The signature is fluid and cursive, with a long horizontal stroke extending to the right from the end of the name.

Adam Phillips
Acting Chairman
Financial Services Consumer Panel