



News Release

13/11

24 March 2011

PPI—CC PUBLISHES FINAL ORDER

The Competition Commission (CC) has today published the final order detailing measures to introduce competition into the Payment Protection Insurance (PPI) market.

Peter Davis, CC Deputy Chairman and Chairman of the PPI inquiry said:

Insurance to cover periods of unemployment, sickness and following accidents can serve a significant need in our society. The team at the CC has worked hard to document the serious failings of competition in PPI markets and subsequently establish a package of significant market interventions whose aim is substantially to improve the operation of these markets. Today we publish the culmination of all of that work, a legally binding document which sets out a framework of rules designed to encourage greater competition in future and hence better outcomes for consumers.

If providers properly seize this opportunity to provide good value insurance products to their consumers then, as a result of these market reforms, we can all look forward to a far better functioning market for this important class of insurance products.

The following package of measures is now being introduced for all forms of PPI including short-term income protection (but excluding 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, seven days after the supply of a personal PPI quote ('point of sale prohibition');
- 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 (OFT) and the Consumer Financial Education Body (CFEB) for monitoring and publication;
- a recommendation to the CFEB that it uses the information provided to it to populate its PPI comparison tables;

- an obligation to provide information about claims ratios to any person on request;
- a prohibition on the selling of single-premium PPI policies;
- an obligation to provide an annual review setting out the cost of PPI and including a reminder of the consumer's right to cancel;
- compliance reporting requirements, including commission of independent 'mystery shopping' exercises by the largest providers.

The Order sets out in detail the obligations of providers created by these measures and by 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. The 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. The OFT (see [Notes for editors](#)) will now take the lead in enforcing and monitoring the Order.

The Order takes effect from 6 April 2011, though the main obligations will be introduced in two phases to coincide with annual government common commencement dates (April 6 and October 1) for new legislation and regulations and also to allow sufficient implementation time for providers. Some of the information requirements will therefore come into force on October 1 2011 and the point-of-sale prohibition and other measures on April 6 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 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. The CC reported back in October 2010 that introducing the [point-of-sale prohibition for the major forms of payment protection insurance \(PPI\)](#)¹ would benefit customers.

Notes for editors

1. The CC is an independent public body, which carries out investigations into mergers, markets and the regulated industries.
2. The OFT contact for questions and other matters related to the Order is Natalie Lam (natalie.lam@oft.gsi.gov.uk). Companies selling PPI are required to let the OFT know about the identity of their compliance officer by 27 April 2011.
3. 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

¹An exception to this finding was in relation to retail PPI, where the CC decided not to introduce the prohibition. 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.

have since stood down. Malcolm Nicholson was appointed in their place. John Baillie's term as a CC member came to an end during the remedies implementation stage.

4. For more details on the PPI market investigation please visit:
www.competition-commission.org.uk/inquiries/ref2007/ppi/index.htm.
5. Enquiries should be directed to [Rory Taylor](#) or [Siobhan Allen](#) by email or by telephoning 020 7271 0242.