

Payment protection insurance complaints: Report on the fairness of medium-sized firms' decisions and redress

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Contents

1	Foreword by Clive Adamson	3
2	Summary	4
3	More detail on key findings	6
4	What are we doing to address these findings?	18

Appendix 1:	Summary of findings	
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1.

Foreword by Clive Adamson – FCA Director of Supervision

Payment protection insurance (PPI) has developed into the biggest issue of financial mis-selling in recent years, and has significantly damaged public trust in financial institutions. Ensuring that firms put things right by handling PPI complaints fairly is vital to bringing closure to the issue and rebuilding public confidence, and is a priority for the FCA.

Much progress has already been made. Firms have now handled nearly 11 million PPI complaints, and customers have received £12bn in redress so far. Firms are also sending out some 3.5 million letters pro-actively to customers whom they have identified (from root cause analysis) as being at high risk of having suffered a past mis-sale, but who have not complained.

The FCA has remained closely involved in this process, to try to ensure that firms are arriving at the right outcome when considering PPI complaints, and that customers understand any redress offer made to them or the reasons why their complaint was rejected.

This report sets out the findings of our review of complaint handling at 18 medium sized firms. These firms account for only 16% of total PPI complaints but that is still 1 million complaints, and this work shows our determination to ensure fair PPI complaint handling by all sizes and types of firm.

We found that some of these firms are mainly delivering fair outcomes to PPI complainants but that others still have some way to go, with significant issues that they need to put right.

The report highlights the good and poor complaint handling practices that we observed and the actions we are taking to address the shortcomings we identified in some of the firms. It details the five most common instances of poor complaint handling that we found. For the most part, these occurred at the stage where complaint handlers are assessing the 'merits' of a PPI complaint. For example, we find that complaints are being rejected inappropriately because some complaint handlers are overlooking the inadequate demand and needs assessment carried out at the time of sale. We also find that some firms are providing inadequate explanations of complaint decisions and redress offers.

Given our findings, and the significant room for improvement they show, it is encouraging to see that the firms in the review are taking immediate steps to put in place the necessary remedial actions to ensure that fair outcomes are delivered to customers. We have also referred one of the firms to our Enforcement Division for further investigation.

Meanwhile, our work on PPI continues. We are currently reviewing PPI complaint handling at six larger financial firms that sold PPI, responsible for 80% of PPI complaints, and we will report our findings at a later date. We will also be reviewing the scope and conduct of firms' root cause analysis and pro-active mailings to high risk customers, since these will have a particularly significant role in addressing remaining areas of potential detriment, restoring consumer trust and achieving eventual closure of this issue.

2. Summary

Who is this report aimed at?

The findings in this report should be considered by all firms who deal with PPI complaints. The report communicates important messages about fair PPI complaint handling and gives examples of how a sample of firms have managed to do this well or not. It may also be of interest to consumers and consumer organisations, as well as customer advocates who take forward complaints on behalf of customers.

Background

In August 2010, the Financial Services Authority – our predecessor organisation – introduced measures designed to improve firms’ handling of PPI complaints. Policy Statement PS10/12 set out common failings in the sale of PPI that we had observed in our previous thematic work on PPI and which firms should consider in their handling of PPI complaints. It also set out how firms should assess the merits of PPI complaints and the approach to calculating redress where a firm has decided that a mis-sale had occurred.

In PS10/12, we said that after publishing these complaint handling measures we would maintain our focus on ensuring improved outcomes for customers who complained about the sale of PPI. And we said we would require firms to provide ongoing evidence about the robustness of their PPI complaint handling processes, the extent to which the new measures had been successfully embedded and their success in generating fair outcomes for customers.

What we did

The review covered 18 medium-sized firms (including smaller high street banks, building societies, credit card providers and personal loan companies) who together had dealt with more than 1 million PPI complaints (16% of PPI complaints between January 2010 and December 2012) and paid £1.1bn of redress. In 2012 we asked these firms to each provide us with PPI complaint files, including some where the complaint was rejected and some where the complaint was upheld. These complaints involved 957 PPI sales.

We reviewed each file to determine whether these firms were consistently delivering good outcomes for PPI complainants, in other words, whether complaint handlers:

- are assessing the merits of individual complaints fairly
- are making fair offers of redress, and
- explain their decisions clearly and fairly to complainants.

Our findings

- We found that six firms of the sample of 18 (accounting for around 10% of the PPI complaints between January 2010 and December 2012) were mainly delivering fair outcomes to PPI complainants. We disagreed with only 13 of their 168 reject decisions and with the redress sum offered in 33 of their 155 uphold decisions.
- These six firms by and large followed a genuinely 'holistic' approach to PPI complaint handling, meaning that rather than just focusing on the specific or narrow aspects of the grievance that a complainant has expressed, they try to look at the complaint in its overall context (in keeping with Handbook guidance DISP APP 3 3.2.2G) and try to establish the bigger picture, clarifying the nature of the complaint, and looking at the information available at the time to the customer, their personal circumstances and the manner in which sales were being made by the firm at the time.
- However, there was some scope for these six firms to improve the clarity and quality of some of their responses to complainants.
- We were more concerned by the remaining 12 firms (accounting for 6% of PPI complaints), where we disagreed with 59% (295) of their reject decisions and had concerns with the redress offered in 43% (57) of their uphold decisions.
- These firms did not display a genuinely holistic approach, and there are five main shortcomings in their complaint handling that we would particularly highlight from these findings to other firms:
 1. Overlooking the inadequate demands and needs assessment that took place at the time of sale in an advised sale.
 2. Overlooking the inadequate assessment in an advised sale of whether a single premium policy would meet the customer's demands and needs.
 3. Paying insufficient regard to poor disclosure of the limitations and exclusions of a policy at the time of sale.
 4. Not identifying poor disclosure of the cost of a policy at the time of sale.
 5. Providing inadequate explanations of complaint decisions and redress offers.

These shortcomings are explained and illustrated in more detail below. We also set out and illustrate other shortcomings we saw in Appendix 1. We have edited and, where appropriate, redacted the examples used. We have also summarised telephone conversations between firms and customers for illustrative purposes.

3.

More detail on key findings

In this section we explore in more detail the five most common findings we wish to highlight to other firms, and provide illustrative examples. Most of these occur at the stage where complaint handlers are undertaking an assessment of the 'merits' of a PPI complaint.

To provide context for these findings, we remind readers of our key expectations about PPI complaint handling (as set out in our Complaints sourcebook (DISP) Appendix 3). We expect a firm to:

- Assess the complaint fairly, giving appropriate weight and balanced consideration to all available evidence, including what the complainant says and other information about the sale that the firm identifies (3.3.1G)
- Consider, where it has determined that there was a breach or failing in the sale, whether the complainant would have bought the PPI in the absence of that breach or failing (3.6.1E)
- Presume, in the absence of evidence to the contrary, that if the sale was substantially flawed, the complainant would not have bought the policy in the absence of that flaw (3.6.2E, which also lists twelve breaches or failings that would typically make the sale substantially flawed)
- Put the complainant in the position he would have been in if he had not bought any PPI, where the firm concludes he would not have bought the PPI he bought (3.7.2E).

1. Overlooking the inadequate demands and needs assessment that took place at the time of sale in an advised sale.

In the context of an advised sale, when recommending an insurance policy a firm should have taken reasonable steps to establish the suitability of the policy for the customer's demands and needs. Failure to have done this would represent a substantial flaw in the selling process, and so the handler of a subsequent complaint about the sale should presume (in the absence of evidence to the contrary) that the customer would not have bought the payment protection contract had the sale been conducted without that flaw.

We have previously set out what firms should not do when selling PPI on an advised basis, so it is clear what complaint handlers should be alert to when considering complaints in an advised sales context.

Complaint handlers should determine whether reasonable care was taken at the time of sale to ascertain for example:¹

- whether there were any existing means the customer had of protecting the repayments due on the loan or which they could have used for repayments if that became necessary, including for example benefits from their employer and assets (e.g. savings)
- that the customer was aware of any pre-existing medical conditions that might be excluded under the policy
- that the policy would be affordable in light of the customer's income and outgoings, and
- whether the customer's circumstances were likely to change (including whether they might retire during the term of the policy).

Below are two examples where complaint handlers did not properly consider whether the PPI product sold by the salesperson was suitable for the customer and thus whether the sale was substantially flawed.

Example 1

Date of Sale – March 2008. In the demands and needs statement, the salesperson documented that Ms X had existing means to cover her unsecured loan repayments if she were unable to work. They also captured that: the customer worked in the public sector and had employee benefits of six months full and six months half pay, life cover of around £160,000 and income replacement protection of £500 per month.

Based upon the information collated within the demands and needs statement the seller still recommended a single premium life, accident, sickness and unemployment policy.

The complaint handler failed to appropriately consider the suitability of the salesperson's recommendation and thus whether the sale was 'substantially flawed'. In failing to do this, the complaint handler unfairly rejected this customer's complaint.

¹ 2009 Open Letter – Common point of Sale Failings for PPI sales – Failings specific to advised sales; see also DISP APP 3 3.6.2E(5)

Example 2

In 2005, Mr and Mrs X applied for a car loan. At the time, both were working for the public sector and both were entitled to full pay if they were on sick leave i.e. to six months full and six months half pay. The salesperson asked Mr and Mrs X if they had insurance to protect the loan, but no other questions. PPI was recommended.

In 2011, Mr and Mrs X approached the firm complaining that they had no need for the PPI as they had good employee benefits in place at the time. The complaint handler dismissed the complaint stating that Mr and Mrs X did not make the seller aware of this. Mr and Mrs X challenged this, arguing that they were not asked about employee benefits. The complaint handler dismissed this again by stating they were asked. This is despite the evidence clearly demonstrating the only question asked was relating to insurance, not to other arrangements such as employee benefits.

Again, in failing to consider the suitability of the salesperson's recommendation the complaint handler unfairly rejected this complaint.

2. Overlooking the inadequate assessment in an advised sale of whether a single premium policy would meet the customer's demands and needs.

We observed that some complaint handlers do not always identify whether salespersons had properly considered in an advised sale whether a single premium policy would meet a customer's demands and needs. Sales advisers should have considered the likelihood of the customer repaying or refinancing a loan before maturity and the impact of a non pro rata refund of premium in those circumstances.

Example 3

In December 2007, Mr X took out an unsecured loan over five years to refinance an existing loan (with the same firm) which had been in place for six months. At the point of sale, the sales adviser did not take any steps to establish the likelihood, or the customer's intention, of keeping the new loan in place or of refinancing early as he had with his previous loan. The sales adviser recommended a single premium PPI policy, with a non pro rata refund.

The customer refinanced the new loan after only 13 months and he received a non-proportionate rebate of the premium. The customer subsequently complained that the PPI should not have been recommended to him as he often refinanced his loans early. The firm dismissed his concerns, and unfairly rejected the complaint, despite the evidence showing he had a history of refinancing and that a single premium policy was not suitable for his circumstances.

3. Paying insufficient regard to poor disclosure of the limitations and exclusions of a policy at the time of sale.

Inadequate disclosure of a policy's exclusions and limitations (or of its costs) are substantial flaws which, absent evidence to the contrary, indicate that the customer would not have purchased the policy.²

We noted examples of sales failings of the following types being given insufficient weight by the complaint handler:

- *Insufficient disclosure during telephone/face-to-face sales* – in one example, a self-employed customer was sold a single premium payment protection contract over the telephone, but it was evident from the call recording that the salesperson did not disclose the limitation relating to unemployment for self-employed customers. This was not identified by the complaint handler. Instead, the final response letter insisted that the customer was properly informed about unemployment cover and that this information was disclosed in the policy booklet provided to the customer.
- *Insufficient oral disclosure in a telephone sale* – customers could be given the option of opting out of being provided with full information about the policy on the phone, but the firm was still obliged to describe to them during the call the policy's significant exclusions and limitations and significant features and benefits.³
- *Unclear or ambiguous disclosure* – for example: the phrase 'certain unemployment patterns' being used to refer to or disclose the unemployment exclusions within a policy. In spite of the obvious ambiguity attached to this term, the complaint handler was content that the customer was supplied with all relevant information to allow them to make an informed decision about whether the policy was suitable for their needs.
- *Failure to disclose a non pro rata refund* – we find that complaint handlers do not always assess whether the salesperson made appropriate disclosures of the non pro rata refund for a single premium (in the event of early repayment, refinancing or cancellation) to customers for whom this disclosure was likely to be relevant.⁴

The following two examples are summaries based on telephone conversations between a firm and two customers. In both instances the customer was sold PPI on a non-advised basis. They illustrate the inadequate disclosure made of the policy's cover at the time of sale which the complaint handler has overlooked.

The first example demonstrates that the salesperson neglected to explain to the customer what the policy covers, for how long and what specific exclusions and limitations are contained within the policy. (The salesperson also provided poor information on cost – see 4 below.)

The second example illustrates that while the salesperson informed the customer of the policy's cover, they did not tell them that the policy was active for five years and that it did not cover pre-existing medical conditions.

These failures breach several of our requirements on the provision of information to a customer in good time before a sale is concluded. However, in both cases, the complaint handler ignored these failings and rejected the customer's complaint.

² DISP APP 3 3.6.2E(4)

³ e.g. ICOB 5.3.6R(2)

⁴ 2009 Open Letter – Common Point of Sale Failings for PPI sales – Additional failings specific to single premium policy sales; see also DISP Appendix 3 3.6.2E(12)(c).

Example 4**Call 1**

....

Firm: We can arrange the loan for £XX,XXX, the loan is over XX years as requested

Customer: Ok

Firm: Including the cover for yourself for Accident, Sickness and Unemployment and life cover comes to £XXX per month

Customer: Right, that's fine

Firm: The rate is fixed for you for the first five years of the loan. If you are happy with that offer I can get that popped in the post to you Mr X. You will need to sign the documents and get the bits and pieces back to us and we can start the process for you. Any other questions?

Customer: No, thank you very much, I will just wait for the documents

Firm: Ok Mr XX, thank you for your time and we will speak soon

Customer: Goodbye

Call ends

Example 5**Call 2**

Firm: Will you be taking the Accident, Sickness and Unemployment cover? It will protect you in the event of accident, sickness and unemployment and in the unfortunate event of your death.

Customer: What is the cost of it?

Firm: If you took Accident, Sickness and Unemployment cover and life for just you, the total loan payment will be £XXX.XX per month. How does that sound?

Customer: That sounds fine, I will take it.

Firm: I can offer the cover for both of you if you want it?

Customer: There is not much point as my wife does not work.

Firm: Ok, we will only cover you. The payment includes a fee of £xxx, it is added to the loan. Is that ok?

Customer: Yes, that's fine

Firm: The documents will be sent in a few days, it will include all the documents that you need to sign and the information relating to the PPI.

Customer: How long will it take to complete?

Firm: About 2 – 4 weeks, however the quicker you send them back, the quicker it will pay out.

Customer: Ok, I will wait for the documents and send back as soon as I can!

Firm: Ok, that's it then Mr XXX, take care and thank you for your time today

Customer: Goodbye

Call ends

4. Not identifying poor disclosure of the cost of a policy at the time of sale

Firms must give customers information on a policy's main characteristics, including price information.

Our rules (DISP APP 3 3.6.2E(8)) require complaint handlers to presume (absent evidence to the contrary) that a customer would not have purchased the policy if information on cost was not provided in a way that was fair, clear and not misleading in good time before the sale was concluded.

Evidence from call recordings, sales scripts and sales process documents demonstrate that in some cases, disclosures about the total cost of the policy (notably, that the single premium would be added to the loan and that interest would be charged on the amount throughout the term of the loan), were not made to customers in good time before the sale concluded in a way that was clear, fair and not misleading. Yet some complaint handlers unfairly reject these complaints, on the grounds that customers would have been provided with details relating to the cost of the policy subsequently with the paperwork on their loans.

In some cases complaint handlers insist that the cost was clearly disclosed in the lender's credit agreement. But this would not be enough where the sale of the PPI was primarily conducted face-to-face or over the telephone i.e. on an oral basis. As we said in PS10/12, in sales primarily conducted orally, we have found it to be a failing where firms failed to ensure a fair presentation of information during the sales discussion, e.g. by giving an oral explanation or drawing the customer's attention specifically to the information on a computer screen or in a document and giving the customer sufficient time to read and consider it. Complaint handlers should identify when this did not happen (and that consequently a substantial flaw had occurred) at the time of sale.

In the example below, the complaint handler does not recognise that key information relating to the policy's cost was not disclosed at the time of sale: not only does the firm neglect to tell the customer that they were being sold a single premium policy, it fails to explain that the premium is added to the loan and thereby increases the amount the customer has borrowed. In addition, the firm does not disclose the premium amount, that interest is charged and the amount of that interest. The customer subsequently complained that she was not made aware of the cost of the PPI, i.e. that the single premium costs were added to her loan and would accrue interest. The firm unfairly rejected her complaint on the basis that the documents were sent out to her after the sale was concluded and the cost was disclosed in the documentation.

Example 6

.....

Firm: Ok Mrs X, I have good news. We can get you the loan you are looking for, an offer is available for you for the £20,000 over 25 years.

Customer: Oh, that's good news.

Firm: So, the offer is for £20,000 over 25 years at an APR of 7.9%. The monthly payment will be £193 per month including insurance. How does that sound Mrs X?

Customer: That sounds ok, less than I am paying per month now!

Firm: It will reduce your monthly outgoings, and you will be pleased to know it includes payment protection insurance that we recommend you take, which will cover you in the event of accident, sickness and unemployment and in the unfortunate event of your death.

Customer: And that's included in the payment?

Firm: Yes, included in the £193 per month.

Customer: Fantastic, I will go ahead with that, what happens next?

5. Providing inadequate explanations of complaint decisions and redress offers.

Complainants must be given a clear explanation of a firm's decision, so they can understand what decision has been taken, why or how that decision was reached and, in the instances where the firm upholds the complaint, they are clear about what (if any) redress can be expected and how it has been determined.

We observed that some firms did not always give any explanation of the reasons for rejecting the complaint, or where they attempted to do so gave explanations lacking in detail. Some firms use generic templates which often do not specify or acknowledge the specific points raised by the customer.

Where firms uphold complaints and offer redress, some firms are poor at giving customers sufficient and meaningful information. Instead, they tend to overuse 'jargon' or merely quote our rules, which are not likely to be easily understood by customers.

Below, we provide two contrasting examples of letters explaining the decision to reject a customer's complaint. The final response letter in Example 7 is so lacking in detail that the customer would be no wiser as to the reasons for the rejection of the complaint. In the second example, the firm has provided a more detailed and clear explanation of the basis for its rejection of the complaint.

Example 7***Final Response Letter 1***

Dear Sir/Madam (CMC),

We are writing to you regarding concerns you have about how we sold your Payment Protection Insurance policy. We have now investigated the issues you have raised.

[REDACTED]

[REDACTED] Recent legal action has confirmed that compliance with ICOB guarantees that our relationship with your client was fair. We have been unable to uncover any evidence of us not complying with the relevant ICOB rules in place at the time we sold your client a policy.

[REDACTED]

[REDACTED] We are therefore unable to uphold this complaint.

If you would like to discuss this matter further please do not hesitate to contact us directly on X, and we will be more than happy to discuss this in detail.

Should we not hear from you by the XX/XX/XXXX we will close your file and send you confirmation of this in writing.

Yours sincerely,

Example 8

Final Response Letter 2

Dear Mr X

Thank you for your letter regarding the PPI that was added to your XXX account. I understand that you are unhappy with the way that the PPI was sold. We take all complaints very seriously and although you have not provided any particular reasons why you feel your policy has been mis-sold, we have investigated your complaint fully.

You applied for your XXXX completing a postal application on XX October XXXX. When completing the form you selected the box to purchase the PPI and also signed it to confirm that you understood what you were purchasing. I have enclosed a copy of the application for your reference.

At the time of your application you stated you were XX years old, employed as a XXX earning XXX per annum and lived in the UK. Therefore you met the eligibility criteria for the policy.

Our firm sells PPI on a non advised basis. We disclosed the significant features and exclusions of the policy to provide sufficient information for customers to make their own decision. The eligibility criteria, cost and significant exclusions of the PPI were summarised on the policy overview attached to your application form. The full policy document was then sent in the post.

You had a 30 day cooling off period to review the policy document and confirm that it met your requirements. During this timeframe you could cancel the policy and receive a refund of any premiums already charged if you felt the policy was unsuitable for any reason. As PPI is completely optional, you could have cancelled it at any time and received no further charges from the date of cancellation.

Having completed a review of your account I have found no evidence of this policy being mis-sold. I understand that this may come as a disappointment to you however based on my investigation: I believe that you had sufficient information to make an informed decision to purchase the PPI.

As this is the case I will not be looking to refund any of the premiums or associated interest that has been charged to your account.

Please treat this as our final response in relation to this matter. You have the option to contact the Financial Ombudsman Service within six months from the date of this letter. Their contact details are in the leaflet which I have enclosed with this letter.

Below, we provide two contrasting examples of uphold letters explaining the redress being offered to the complainant. The final response letter in Example 9 contains a breakdown of the relevant PPI costs that the customer is entitled to. It clearly highlights that as well as being reimbursed for the premiums they paid, the customer will also receive both historic and simple interest.

In contrast (and in breach of DISP 1.4.1 R(4)) the second letter is vague and lacks the kind of detail contained in the letter in Example 9; for example, the complaint handler makes no mention of interest (either historic or simple) which would allow a complainant to follow how the firm has arrived at the redress figure being offered.

Example 9

Final Response Letter 1

Dear Mr X

With regard to your recent complaint we have completed our investigation. Our findings are set out below.

After carrying out a full review of your complaint regarding your payment protection insurance (PPI), I can confirm that your complaint has been upheld. Consequently, we will be refunding all premiums charged to your account together with contractual interest. An additional compensatory payment will also be paid on the total of these amounts, at the rate of 8%.

Please be aware, for the purposes of your refund, we have calculated all associated loans together [REDACTED]

The total award of compensation for your complaint

Total refund due [REDACTED]

A breakdown of your total award calculation is detailed below for your reference.

Total PPI Premiums (a)	[REDACTED]
Plus Interest on the premiums paid (b)	[REDACTED]
Plus 8% Interest (c)	[REDACTED]
Less any previous rebate of (d)	[REDACTED]

Total award [REDACTED]

- (a) This is the value of the PPI Policy that was sold to you
- (b) This is the interest paid on your PPI premiums since your loan was opened to when your policy was cancelled
- (c) The additional 8% compensatory amount is calculated based on the monthly premiums paid and the interest applicable each month
- (d) This is any previous rebate you have already received as a result of your PPI being cancelled.

A cheque [REDACTED] is enclosed for the amount detailed in full and final settlement of your complaint.

This letter represents our final response and your complaint will now be closed. However, if you are unhappy with this resolution you have six months from the date of this letter to exercise your right to refer your complaint to the Financial Ombudsman Service. If the Financial Ombudsman Service notifies us of their intention to arbitrate on your behalf, we will no longer be able to discuss your complaint directly with you. A copy of their leaflet is enclosed for your information and you can find more on their website www.financial-ombudsman.org.uk.

Yours sincerely

Example 10

Dear Sir

We are writing to you regarding your concerns over the sale of PPI and we have now fully investigated your concerns.

Having applied the FSA guidance rules regarding common areas of weakness in PPI sales process to this case, we feel it appropriate to offer some form of redress for the unintended failings in our processes in this instance.

I can confirm that our offer is to cancel your policy to inception and refund monies paid towards which is £XXX

We trust this will overcome your concerns. Should you wish to accept our offer, could you please sign the enclosed form and return to us.

Yours faithfully

xxx

4.

What are we doing to address these findings?

In light of these findings, we are using our regulatory powers and to date have referred one firm to our Enforcement Division for further investigation.

We are already working closely with all the firms in the sample whose complaint handling caused us concern to ensure they are taking immediate action to review rejected complaints and redress customers who have been treated unfairly or underpaid, and to improve their complaint handling processes to a level that consumers would expect. If we are not given comfort by firms' responses, we will also consider imposing formal requirements on firms' permissions, so that good outcomes are delivered from their PPI complaint handling process.

We have also fed back to the better firms in the sample concerning more specific improvements which they can make. We may require relevant individuals in these firms' senior management to 'attest' or confirm to us that complaints are now being handled fully in line with our rules.

We expect firms' senior management and boards to ensure they have clear ownership and effective oversight and control of PPI complaints to deliver fair and timely outcomes for customers.

As we previously emphasised, the findings and messages in this report should be considered by all firms who deal with PPI complaints.

Appendix 1: Summary of findings

Complaint Stage	Example	Relevant Rule/ Guidance
Merits		
Not considering the inadequate demands and needs assessment in advised sales (e.g. where the salesperson did not ask enough questions, or consider employee benefits or other means such as savings or other existing insurance).	See Section 2: Key findings Example 1	(DISP 1.4.1R, DISP Appendix 3 3.6.2E(5))
Not considering the failure to sufficiently disclose the cost of the PPI at the point of sale (e.g. where the salesperson did not disclose the single premium cost or the interest that was charged on the PPI, or both).	See Section 2: Key findings Example 6	(DISP 1.4.1R, DISP Appendix 3 3.6.2E (8)&(12a))
Not considering whether the salesperson failed to sufficiently disclose the significant exclusions and limitations of the policy.	See Section 2: Key findings Examples 4 and 5	(DISP 1.4.1R, DISP Appendix 3 3.6.2E (4))
Not considering whether the salesperson in an advised sale had recommended a single premium policy with a non pro rata rebate that was unsuitable for the customer's demands and needs.	See Section 2: Key findings Example 3	(DISP 1.4.1R, DISP Appendix 3 3.6.2E (5) & (9))

Complaint Stage	Example	Relevant Rule/ Guidance
Inappropriate time-barring – citing increased media attention from January 2007 as the trigger for the 3 year element of the time-bar test.	<p>Mr X applied for a car loan in May 2005. He raised a complaint with the firm in July 2011 that the policy was not suitable as he had good employee benefits, he was not made aware of the single premium nature of the PPI or that he would pay interest on the premium and he was told the PPI was compulsory. The firm dismissed the complaint without consideration stating 'the policy was sold more than 6 years ago... we believe the latest you should have reasonably become aware that you had cause for complaint was in January 2007 because it is evident that media attention surrounding PPI began in January 2007 and a reached a high at the end of 2007.'</p> <p>As we stated in PS10/12 (p26), we do not consider such general media attention to be sufficient to trigger a customer's awareness or the consequent 3 year time limit for complaining.</p>	(DISP 2.8.2R (2))
Redress		
Omitting 8% simple interest from the redress payments.	<p>'Dear Sir</p> <p>We are writing to you regarding your concerns over the sale of PPI and we have now fully investigated your concerns.</p> <p>Having applied the FSA guidance rules regarding common areas of weakness in PPI sales process to this case, we feel it appropriate to offer some form of redress for the unintended failings in our processes in this instance.</p> <p>I can confirm that our offer to cancel your policy to inception and refund monies paid towards which is £XXX</p> <p>We trust this will overcome your concerns. Should you wish to accept our offer, could you please could you sign the enclosed form and return to us.</p> <p>Yours faithfully</p> <p>Xxx'</p> <p>The redress sum offered in this example does not include 8% simple interest.</p>	(DISP 1.4.1R, DISP Appendix 3 3.7.3E)

Complaint Stage	Example	Relevant Rule/ Guidance
Not considering the effects of a rejected claim upon the policy on the redress.	<p>In June 2005, Mrs X purchased a single premium policy. Mrs X later complained that she had a claim for unemployment rejected by the insurer on the grounds that she had a pre-existing medical condition at the time of buying the policy, and this illness had led to the subsequent unemployment. The customer alleged that at the time of buying the policy she was off work sick due to a pre-existing medical condition. She alleged that this was brought to the sales adviser's attention at the time of the sale but that the adviser had stated that she would still be covered.</p> <p>The firm investigated the complaint and subsequently offered redress equivalent to a refund of premium, plus interest paid and 8% simple interest.</p> <p>It would appear from the customer's allegations that they expected their claim on the policy to be paid. Despite this, there is no evidence to show that the firm has taken account of this and considered whether Mrs X reasonably expected her claim to be paid, and if so, whether the claim value was higher than the redress offered. They also did not consider what impact the rejected claim had on the customer's ability to meet her loan repayments.</p>	(DISP 1.4.1R, DISP Appendix 3 3.5.1E, and 3.9.2G)
In a chain of loans, failing to consider the cumulative impact of refinancing.	<p>Mr X, the complainant, had 3 loans in a chain of refinancing (the first was purchased in May 2007, the second in May 2008 and the third in July 2010). He made a complaint regarding the sale of the first loan in the chain. This was the only loan in the chain that had PPI. The firm upheld the complaint and offered the customer a refund of premiums paid plus interest and 8% simple interest.</p> <p>From the evidence on file the firm does not appear to have taken account of additional interest being charged on the second and third loans as a result of the higher balance that was transferred from the first loan (due to the non pro rata rebate of PPI applied to the first loan on its redemption). This has resulted in the customer being offered a lower amount of redress than they should have been.</p>	(DISP 1.4.1R, DISP Appendix 3 3.2.7G & 3.9.3G)
Communications		
Not explaining in the Final Decision letter how the PPI redress has been calculated.	See Section 2: Key Findings Example 10	(DISP 1.4.1R (4), DISP Appendix 3 3.9.4G)
Not explaining in the Final Decision letter the reasons for the rejection.	See Section 2: Key Findings Example 7	(DISP 1.4.1R (4))
Taking longer than 8 weeks to handle complaints without sending a letter in compliance with DISP 1.6.2R (2).	-----	(DISP 1.6.2R (2))

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