



Financial
Ombudsman
Service

payment protection insurance (PPI) – the ombudsman and complaints handling

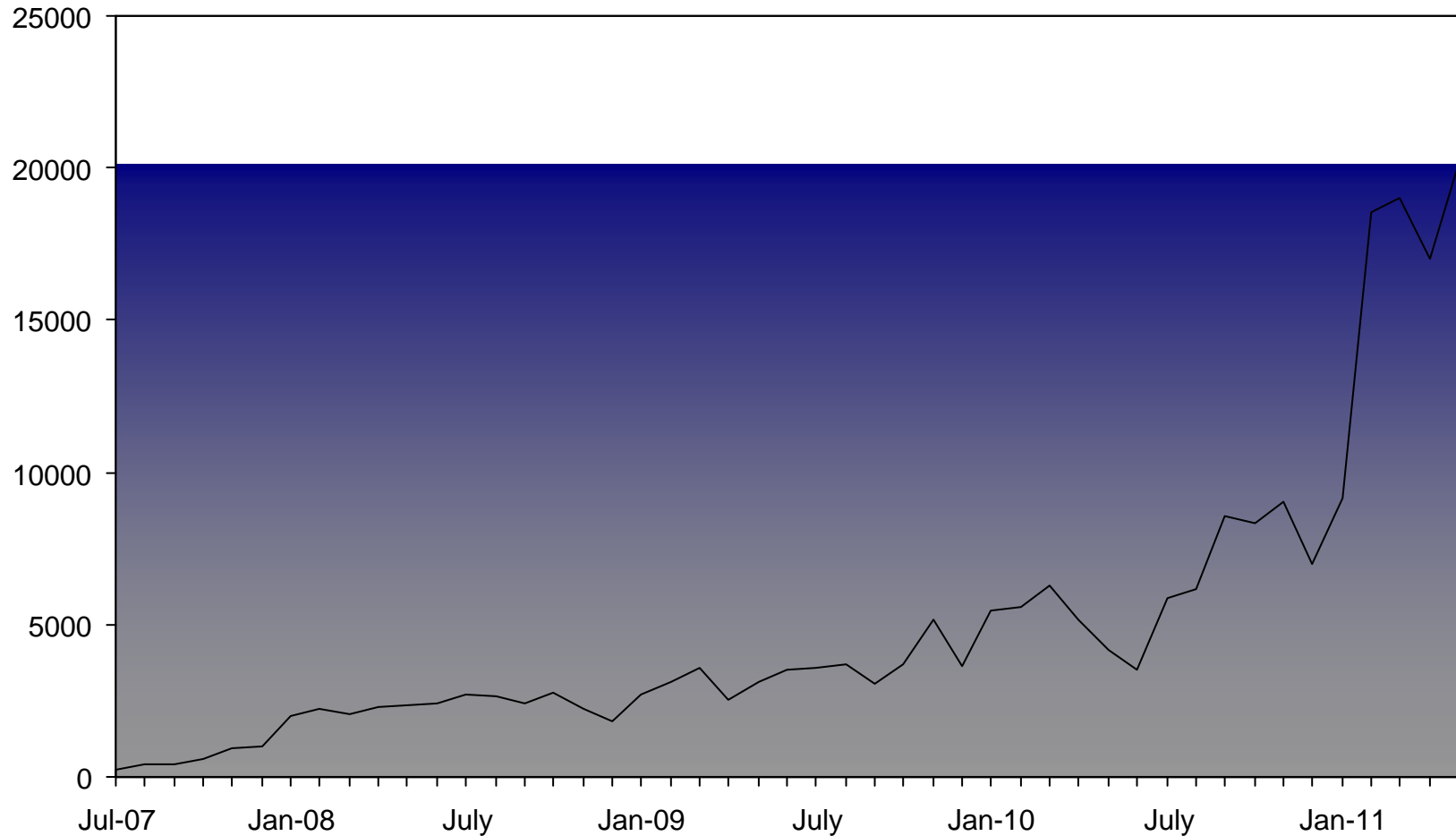
July 2011

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what I will cover

- **overview of PPI complaints**
- **explain how we approach PPI-sale complaints**
- **redress**
- **how can we work together?**
- **questions**

new PPI complaints – monthly



common complaints

- **claims**
- **sales:**
 - **consumer did not know they had bought PPI at all**
 - **consumer did not want PPI but thought it was compulsory**
 - **cover was not properly described/explained**
 - **cover was unsuitable**
 - **consumer was fully/partly ineligible for cover**
 - **consumer was not properly informed about the costs involved**

PPI sales complaints

- we are required to determine complaints by reference to what is, in the ombudsman's opinion, fair and reasonable in all the circumstances of the complaint.
- when considering this, we take into account (but are not bound by) relevant:
 - law and regulations;
 - regulators' rules guidance and standards;
 - codes of practice; *and*
 - good industry practice.

PPI - *pre* and *post* regulation

- we can consider complaints about events *after* 14 January 2005 and some complaints about events *before* 14 January 2005.
- for example, where:
 - ancillary to lending
 - covered by a former scheme.

deciding complaints – holistic approach

- **We ask three fundamental questions when weighing up the evidence:**
 - **did the firm give information that was clear, fair and not mis-leading (allowing the consumer to make an informed choice);**
 - **if the firm gave advice or made a recommendation, did it take adequate steps to ensure the product recommended was suitable for the consumer's needs; *and***
 - **if the answer to either question is “no”, would the consumer have been likely to have done anything different – and have they suffered a loss as a result?**

what evidence do we consider?

- the ombudsman must consider all the circumstances of the case, including:
 - relevant circumstances of the individual consumer and sale; *and*
 - the features of a firm's sales process (and whether that was followed in the individual case).
- we consider the overall picture – a piece of information given to a customer during a sales process cannot be read in isolation.
We consider:
 - the point in the process at which the information was provided;
 - the way in which the information was communicated; *and*
 - the issues facing the customer at the time – and whether they also received any conflicting information.

information the customer should normally have been given

- “optionality”
- cost of the policy
- nature of the single premium and term
- impact of the early termination of the policy (single premium)
- significant policy exclusions
- benefits and other limitations

how the lack of any of this information affects our findings depends on the circumstances of each case

common suitability considerations

- **cost**
- **cost v benefits**
- **other means available to the consumer to meet repayments if sick or unemployed**
- **consumer needed flexibility**
- **existing medical problems**
- **employment status**

redress

redress – lessons from endowments

- **it can be complicated**
- **it is a source of complaints**
- **so:**
 - **get it right**
 - **explain it properly**
 - **be flexible**

how do we approach redress?

- **if we conclude that the policy was mis-sold, decide what the customer would otherwise have been likely to have done**
- **put the customer in the position they would have been in *but for* the “mis-sale”**
- **include the award of applicable interest**
- **give consideration to an award for distress and inconvenience, where appropriate**

- **account reconstruction to determine the current (or closing) balance without PPI:**
 - **remove PPI costs/interest/charges**
 - **generally reasonable to assume consumer would have made same payments – so balance would have been lower (but consider individual circs)**
- **pay the consumer the difference between balances (plus interest on difference if appropriate)**
- **pay interest on amounts for periods when the account was in credit**

- where we conclude that the consumer would have taken out the loan without PPI.
 - refund the payments made for PPI (capital and loan interest) plus interest at 8% per annum simple – deduct the value of any claims and part-refund or premium on cancellation
 - reduce the loan balance to remove PPI (account restructuring), cancel the PPI policy and adjust future loan payments.

redress & single premium PPI

exact approach depends on:

- **status of the loan (and policy):**
 - **still in force**
 - **run full-term**
 - **repaid early**
 - **arrears?**
- **single sale or a series of successive sales**

- **consider if would have taken a monthly policy?**

working together

learn from our decisions and online resource

- **our online PPI resource (on our website) sets out:**
 - **our general approach;**
 - **case studies; *and***
 - **example ombudsman decisions covering a range of scenarios.**
- **engage with our adjudicators:**
 - **we will disagree at times – but let’s be clear on the issues that need to be decided.**
- **learn from ombudsman decisions:**
 - **otherwise we simply retread old ground – and both incur further costs**

the PPI questionnaire

- **two forms – one for consumers, one for businesses**
- **they help consumers provide clear information when they make a PPI complaint**
- **they help businesses provide clear information to the ombudsman service when complaints are referred to us**
- **they help us (and you) in considering complaints**
- **the aim is to reduce complaints where facts are thin and where no one has considered the issues before the case reaches us**

- **how can you help?**
 - **promptly send in a fully completed form specific to the individual complaint**
 - **enclose copies of all documents, call scripts, call recordings *etc* that you have relied upon in your final response letter**
 - **use the PPI questionnaire in your own complaint handling**
 - **consider carefully the evidence provided**



questions?



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