

All firms



Payment protection insurance factsheet

This factsheet is for people selling payment protection insurance such as:

- Motor retailers
- Retailers arranging loans
- Insurance brokers
- Mortgage firms

The key points

- Ensure the customer is told PPI is optional, where this is the case.
- Ensure the customer is given clear information about the product and what it will cost. The key policy information should set out, amongst other things, the price and whether interest is payable, the main features and benefits of the policy as well as any significant or unusual exclusions and how long the cover lasts .
- Ensure the customer is given the assistance they need to be clear about what they are eligible for under the policy and what the exclusions are. Take reasonable steps to ensure that your customer only buys a policy under which he is eligible to claim benefits, and tell customers if they would not be able to claim under one or more elements of a policy.
- Where advice is given, ensure the customer is recommended a policy that meets their needs. Consider whether the customer is already covered by other insurance they have (for example through their employer) and inform the customer of any demands and needs that are not met.
- Ensure the customer is offered a fair refund if they cancel their policy.

How does payment protection insurance work?

Payment protection insurance, or PPI, is insurance that will pay out a sum of money to help a customer cover their monthly repayments on mortgages, loans, credit/store cards or catalogue payments if they are unable to work because of an accident, sickness, or become unemployed through no fault of their own.

With a PPI policy, the insurance company pays the customer's monthly repayment (or a percentage of it) on the customer's behalf for a fixed period of time. PPI is also known as ASU (accident, sickness and unemployment) insurance, account cover and payment cover.

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More detail on sales conversations

When you have a sales conversation with a customer you need to give them a balanced picture so they can make an informed decision on whether to buy the product.

You have to talk to your customer about the 'main characteristics' of a policy:

- its significant benefits;
- significant exclusions and limitations;
- duration; and
- price information.

If you provide information on one of the main characteristics of the policy when discussing it with the customer, you must tell them about all other main features.

If you do not give advice or make a personal recommendation you must ensure that the customer understands that they are responsible for making sure the product is suitable for them.

Making sure the customer is eligible

You need to take reasonable steps to ensure a customer only buys a policy that they are eligible to claim regardless of whether or not you are giving advice or just providing information.

It is up to you to decide what the 'reasonable steps' are. But basically the key point is you need to find a way of obtaining sufficient information to be reasonably sure that the customer could make a claim under the policy. Are there any exclusions relating to the nature of the customer's employment, their medical history or their age?

This could be through a simple eligibility check. If you don't speak to customers you could design your application forms so they can do the same job as an eligibility check.

The things you should check will vary depending on the policy terms, but are likely to include whether there are any terms which exclude certain groups of customer from making a claim or under any particular part of the policy because of being:

- resident outside the UK;
- over 65;
- self employed;
- on a temporary or short-term contract; or
- employed for less than 16 hours a week.

If the customer can't claim at all under the PPI policy, you should not sell it to them. If they could claim under parts of the policy but not others, you should point it out to them so they can decide themselves whether to buy the policy.

We wouldn't normally expect you to check whether medical conditions mean the customer wouldn't be able to claim. But you'll need to tell the customer about significant exclusions under the product disclosure rules so they can make an informed decision on whether to buy the cover.

What information will I need to disclose orally?

In oral sales discussions you must give customers the information they need to make an informed decision. This means highlighting important information orally, in a similar way that policy summaries highlight the key written information.

Single premium PPI

With a single premium policy the customer pays a lump sum up-front. This amount is usually added to the sum they borrow and attracts interest, so they'll be paying more over the long run.

You should tell customers during any sales discussion of the monthly and total price of the cover and that they will pay interest on the premium.

Right to cancel

Remind customers of their right to cancel the policy with no penalty within 30 days of taking out the policy and that they should check the policy documentation within the cancellation period.