

Payment Protection Insurance

Rhodri Coleman, November 2009

The Payment Protection Insurance (PPI) online marketplace is a battlefield where neither the consumer nor provider is winning.

Traditional methods of selling this product online fail the customer and companies seem reluctant to explore more customer centred approaches through fear of losing sales. Foolproof have explored ways to improve the online experience so that both parties are kept happy.

What is PPI?

Payment Protection Insurance (PPI) is designed to cover a customer should they be unable to make their monthly repayments: mortgage, loan or credit card. This may be the result of accident, sickness, or involuntary unemployment.

Whilst in principle it is a product that should bring welcome comfort to consumers, in practice it is a consumer minefield: notoriously over-priced, filled with exclusions and sometimes mis-sold. As a result PPI products have received bad press coverage leading to numerous consumer groups and private companies campaigning to encourage borrowers to claim refunds.



PPI Reclaiming in a nutshell
Can you cancel?
Why it's so often missold
The 'Missold?' Checklist
How to reclaim?
How much will you get?

Also see:
[Report PPI Successes](#)
[Reclaim PPI Discussion](#)
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 PPI Reclaiming in a nutshell 

<http://www.moneysavingexpert.com>



Mis-sold Payment Protection Insurance

Payment Protection Insurance Complaint

In the past if you took out a loan, applied for a credit card or consolidated existing debts there



<http://www.fairinvestment.co.uk>

How is PPI sold?

Historically, PPI has been sold face-to-face or over the phone. The product quickly got a bad name due to the somewhat dubious methods often used to sell it:

- Advising borrowers that the cover was compulsory
- Discreetly bundling the product up within the sales process for a card or loan
- Scaring customers into buying the product

As credit products made the transition to online, PPI followed. Some of these selling practices were built into the online sales journey. As a result, in most credit sales processes, PPI was seldom explained properly to the consumer and often bundled automatically with the quote or application process. A change in legislation forced providers to promote PPI as optional

although a somewhat surreptitious approach was still taken by many in order to try and keep sale volumes high. The customer was still losing out.

"You don't know what you've got until you have to use it; it's a real grey area."

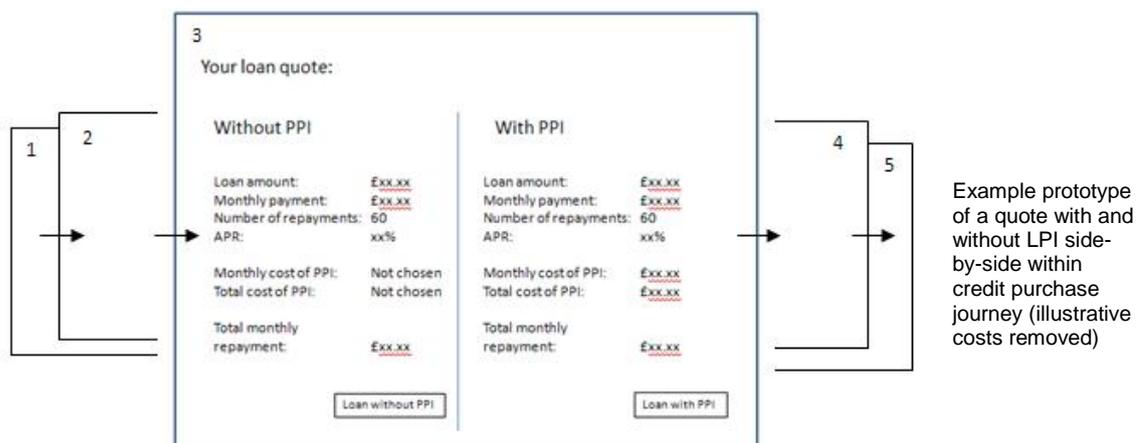
"There are so many clauses and asterisks, it's such a gamble."

Quotes taken from Foolproof PPI user research Feb

Finally, the regulator acted and introduced new rules that forced lenders to present PPI in a different way. This places emphasis on informing the customer about the cost of the product and making it clear that it is optional.

How have providers reacted?

Some providers have experimented with a more upfront approach: presenting quotes with and without PPI side-by-side.



Our research found this concept was extremely popular with respondents but had a negative commercial effect. The side-by-side presentation enabled quick and easy comparison of the quote results, however it only emphasised the high cost of PPI rather than selling its features and benefits. The inability to interrogate the product detail, and the lack of salesmanship up to this point within the sales journey, had been ineffective in selling the proposition.

The overwhelming majority of the respondents admitted that they would **not** take out the cover: they said that the high cost of the cover was not justified by any product benefit that had been communicated to them.

Since the new rules were introduced some providers have removed PPI altogether from their online sales channel, choosing to sell it by phone after application. This is not only an expensive approach but one that risks encouraging the problems of mis-selling seen in the past.

So what can providers do?

We believe there is still an opportunity to increase the propensity of consumers choosing PPI online. We have found that despite all the misgivings surrounding the product, somewhere between a third and a half of consumers still view PPI, in principle, as a sensible precaution. However, providers need to think about changing the way PPI is sold if they want to regain consumers' trust in the product and maximise sales.

Foolproof recommends providers adopt the following best practice principles:

- 1. Raise interest and awareness in the product**
Present PPI at a timely point within the customer conversation. Convince the customer why they may need PPI; focus messages around peace of mind, safety and security
- 2. Sell the features and benefits**
Help the customer understand what is being proposed by clearly presenting what is being offered, how it works and why it would be beneficial
- 3. Allow quick and easy access to further product detail**
Include a content section specifically for PPI. Speak in the customers' language and clearly describe eligibility rules, inclusions and exclusions. Avoid reliance on heavy small print and links to pdfs
- 4. Clearly present the costs**
Explain the costs and reiterate the features and benefits. Never automatically include PPI within a quote, always allow customers to 'opt-in' rather than 'opt-out'

What is the future of PPI?

The Competition Commission has announced that April 2010 will see a ban on selling PPI at the point of sale and up to seven days thereafter. They have deemed that PPI providers face little or no competition when selling at point of sale and the consumers' interests are not being best served. With this legislation it will be even more important that a greater effort is made in actually selling the product and creating an environment for the consumer to make an informed decision.

And finally, a word on value...

No product will be a long-term success, however compelling the sales journey, if it does not offer value. The new regulations will force a complete rethink on the way PPI is sold and an opportunity exists for someone to break the mould and address the central underlying weaknesses of the product: high cost and restrictive terms and conditions. Until there is a fair bargain between providers and consumers, both sides will continue to lose out.