

# Financial Services Authority

From Hector Sants  
Chief Executive



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*H. Sants*

## **Wider implications of complaints about the misselling of Payment Protection Insurance**

In your letter of 1 July 2008 you outlined your concerns over the sale of Payment Protection Insurance ('PPI') and the impact that the high volume of complaints received was having on your operations. You noted that the issues you had identified suggested systemic problems in the PPI market and formally drew our attention to these issues under the wider implications process. As you and I have previously discussed including at the FOS Board meeting on 17 December 2008, the FSA had believed a formal response should await the confirmation of our intended programme of work in this area. However, given the recent publicity it seems right to set out what we have done thus far to tackle problems in the PPI market to date and the work we intend to undertake over the next year to address remaining problems in the market. Thus this provides you with an interim formal response to your letter.

Since your invocation of the wider implications process, my colleagues and I have met regularly with the FOS to discuss the details of your concerns and to keep you up-to-date with our regulatory response. Our aim has been to limit and remedy detriment in the most effective and expedient manner possible. As you are well aware this has meant that, on occasions, our work has had to remain private.

### **Action taken to date**

Since the start of general insurance regulation, we have been monitoring practices in the PPI market. Our reviews of the PPI market identified the sale of single premium PPI sold alongside unsecured loans (SP UPL PPI) as having a high risk of consumer detriment. Our work to date has therefore focused on tackling problems in this high risk sector. We have issued guidance to firms on the standards expected of them, issued clear warnings of the consequences of non-compliance with these standards and taken regulatory action when we have found firms have not met these standards. We have published 20 enforcement cases and issued a record retail fine of £7 million for failings in the sale of PPI.

In September 2008 we published an update on our review of the sale of SP UPL PPI that included the results of a mystery shopping programme capturing customer experiences of face-to-face sales. In light of the unsatisfactory findings of this exercise, we announced we had escalated our regulatory intervention and were considering action to identify and remedy non-compliant sales.

In January 2009, we welcomed the decision of a number of large providers to stop selling SP UPL PPI and switch to a regular premium product. In February 2009 we took a further step and published a letter for the attention of all Chief Executives of firms (distributors, providers and underwriters) still selling SP UPL PPI. The letter requested they stop selling it as soon as possible, but in any event by 29 May 2009. The firms requested to stop selling have now agreed to cease the sale of single premium unsecured personal loan PPI. This action means that there will be no major firms selling or underwriting single premium unsecured personal loan PPI.

We are taking action so that, where we have found evidence of detriment, those that have been mis-sold are appropriately remedied.

#### **Further action**

Whilst our regulatory response to date has focused on the SP UPL PPI market, in view of our evidence of poor practices more generally, and your evidence of poor complaint handling by firms and, indirectly, poor sales practices and advice, there is a case for us to take action in relation to the wider PPI market. We therefore plan to consult upon handbook guidance on firms' handling of PPI complaints. In this we will look to build upon the good work undertaken by the PPI complaint handling group which was set up by the trade associations and included consumer representatives. We will work closely with you to ensure that the guidance addresses those issues you have identified.

We will update you further as additional actions are taken.

Yours sincerely

**Hector Sants**