



## GUIDE TO PAYMENT PROTECTION INSURANCE

### What is payment protection insurance?

**Payment protection insurance**, also known as **PPI** or Loan Protection Insurance is the subject of **criticism** from a **variety of sources**.

It is usually:

- an **expensive** insurance sold by loan or credit providers
- obtained far more **cheaply** elsewhere, or
- may **not even** be **necessary** at all

The **Consumer Protection unit** at Simpson Millar LLP has set up a team specifically to handle **claims for mis-sold PPI policies**.

### The facts

- **PPI** is an **insurance policy** designed to **protect** you from **unforeseen circumstances** such as **illness, unemployment** or some **other**

**situations** which may affect your **ability to repay** a loan or some form of borrowing

- Often **sold** when you take out an **unsecured loan**; a **mortgage**, or **financing** for the **purchase of large items** such as cars

Sometimes the insurance is a **good** thing, but it depends on:

- **where** you get it, and
- **how much** you pay for it

The **problem lies** with the **person** or **organisation** arranging the **loan or financing** trying to **sell you PPI**. This is because the:

- **profit margin** on the loan or financing alone is **relatively small**, however
- **PPI** is **expensive** and therefore **significantly** more **profitable**

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Some **organisations** have an **aggressive** approach to the **sale of PPI**. If you **want to protect your loan or financing** repayments, you are **better off shopping around** as you will probably find **better protection** at a lower cost to you.

In **some circumstances**, the **sale of PPI** is **so aggressive**, that the **person selling the insurance** to you **will not ask the right questions** to make sure that the **insurance is suitable** for you. This often results, in you **purchasing an insurance policy** that will actually be **worthless** if you ever **need to claim** on it eg:

- **people** who find themselves **off work** and **unable to repay loans** because of conditions such as **work related stress** and **chronic back problems**. You will probably find that you **cannot make any claim** under the policy
- the **policies** usually **only cover** the **employed**, so **unemployed, retired** and **self-employed persons** may well find that the policy, actually **excludes them from making a claim**

The **Citizens' Advice Bureau** conducted a **survey** and found that **85%** of people **making a claim** on their **PPI** had that **claim rejected** by the insurer.



## I have a PPI policy. Can I claim compensation?

**Possibly.** The **question is** did they **mis-sell** the policy to you?

A variety of **circumstances** exist for determining whether you have been **mis-sold a policy**, eg:

- **Out of work or self-employed at the time when the policy was sold to you?** - you probably cannot make a claim under the policy so it is effectively worthless
- **Forced to take out the insurance** in order to **obtain the loan or financing arrangements?** - you should be free to obtain the insurance from another, cheaper supplier
- **Not asked at the time of sale whether you already had a PPI in place?** - if you already had loans, financing arrangements or a mortgage in place, you may well have already been covered or

could have obtained an extension to that cover more cheaply

- **No notification of exclusions in the insurance?** - which might prevent you from making a claim under it
- **No notification that you can get PPI from other sources?**
- **Receiving a considerable amount of pressure to buy the PPI?**
- **Paying a lump sum for the PPI without receiving advice** that it is possible to **make the payments on a monthly basis?**
- **Paying a lump sum up front for the PPI**, but then **paying the loan off early without getting a refund** of that insurance premium?
- **Increasing your borrowing and automatically having your PPI payments increased?**
- **Not having the terms and conditions of the PPI explained to you?**

## I think I have been mis-sold my PPI. What can I do?

- You can run the claim yourself:
  - you will need to **claim against the person or organisation that sold**

you the **insurance**, but it is **unlikely to be easy**

- they will **probably refuse to pay** your claim
- if this happens, you can then **complain to the Financial Ombudsman Service** who will **investigate** the complaint for you
- **Simpson Millar LLP** offer a “**no win no fee**” option to **help** you with the **daunting task of making your claim**
- Using our **expertise** and the **weight** of using a **national firm of lawyers**, we take the **stress out** of the **claims process** and will **advise** you on the **potential mis-selling** of your **policy** and if so, **fight** for your entitled **compensation**

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