



Banc Ceannais na hÉireann
Central Bank of Ireland

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Information Release

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Central Bank reports on latest inspection into the sale of Payment Protection Insurance

The Central Bank today released the findings of its latest inspection as part of the on-going investigation of the sale of Payment Protection Insurance (PPI). The inspection¹ has raised concerns in relation to the sale of PPI and, as a result, the Central Bank is requiring the seven firms inspected to conduct a comprehensive review of all their PPI sales from August 2007 to date.

Director of Consumer Protection, Bernard Sheridan, said: "The Central Bank has met with, and written to, the inspected firms requiring them to conduct a detailed review of all their PPI sales from August 2007 to date. This will be overseen by an independent third party. In advance, we are requiring these firms to submit detailed plans for how they will conduct their review, including contacting affected consumers and making refunds where necessary. We will carefully assess their plans and put in place monitoring arrangements to ensure that all firms take a fair and consistent approach to their review.

¹ The inspection related to PPI sales where claims for unemployment/ redundancy were declined due to claimants' employment status. Claims were made during period January 2010 – June 2010, where policies were sold after August 2007.

The Central Bank is also currently considering possible enforcement actions in respect of a number of firms as a result of this inspection due to our concerns regarding the level of compliance with the requirements of the 2006 Code. We will be contacting the firms concerned directly in due course.”

The Central Bank’s main concerns arising from the inspection are:

- Firms not gathering sufficient information to enable them to determine whether the product sold was suitable for the consumer;
- Firms treating certain sales as ‘execution only’ without complying with the relevant requirements of the 2006 Code;
- The timing of the provision of key information to consumers by firms;
- Failure to bring key information on policies explicitly to the attention of individual consumers; and
- Poor record keeping and incomplete files.

A copy of the letter issued to the inspected firms is available on the Central Bank website (www.centralbank.ie).

Further information: Press Office (01) 224 6299, press@centralbank.ie

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Notes to Editors

Specific Examples of poor sales practices Identified during Inspection. In all cases the consumers received a full refund of premiums paid or had their claims successfully processed following the investigations of the Central Bank.

- An unemployed lady who was sold PPI policy to cover repayments on a loan. She would never have been able to make a successful claim due to her unemployment status at time of sale.
- A gentleman who was in full-time employment but who worked 16 hours per week. He would never have been able to make a successful claim due

to the policy requirement that the consumer must work at least 18 hours per week.

- A lady who stated that she was working abroad, with her home address in Ireland. She would never have been able to make a successful claim as the policy required her to be living and working in Ireland.
- A gentleman with extremely poor English who didn't understand what the sales agent was selling him who purchased a PPI policy in conjunction with a car loan.

What is Payment Protection Insurance?

A Payment Protection Insurance ("PPI") policy is an insurance policy designed to cover repayments on a loan or other form of credit for a specified period of time if the policyholder suffers from an accident, illness, redundancy, and in some cases, life cover is included. Many lenders offer this type of policy when consumers apply for credit in the form of a mortgage, a personal loan, a motor loan, a credit card or a store card. PPI should not be confused with Mortgage Protection insurance which pay off the balance of your mortgage outstanding in case of death or income protection insurance which provides an income in case of illness.

Background to the on-going investigation into PPI-related sales

The Central Bank of Ireland ("Central Bank") has carried out a review of sales files for PPI policies sold to Irish consumers. A Central Bank review of claims processing for PPI policies undertaken in 2009 indicated that, where a claim was declined, this was generally in accordance with the terms and conditions of the PPI policy.

However, it appeared that consumers were often not aware of the exclusions attaching to their policies, or, in some instances it appeared that they may not have ever been able to claim. Where it was found that claims are declined due to the employment status of the claimant it was felt that it was reasonable to question why the employment status was not picked up at point of sale, at which point the seller should not have offered the product or at least alerted the

consumer that they may be eligible to claim for the health/sickness benefits but not the unemployment benefits as is the case in some policies.

Accordingly, this led to concerns about whether the product was suitable for the consumer.

This inspection looked at the sales of Payment Protection Insurance (“PPI”) products, targeting those sales where claims for unemployment/ redundancy were subsequently declined due to issues in relation to the claimants’ employment status. The claims were made by consumers during the period January 2010 – June 2010, where the policies were sold after August 2007.

As over 80% of sales were made by banks and other credit institutions the inspection concentrated on sales through these channels. Approximately 340,000 policies were sold during the period August 2007 and November 2011.