COMPETITION COMMISSION

Payment protection insurance market investigation: remittal of the point-of-sale prohibition remedy by the Competition Appeal Tribunal

Provisional decision on retail PPI remedies

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Summary

1. On 7 February 2007 the Office of Fair Trading (OFT) referred to the Competition Commission (CC) the supply of all payment protection insurance (PPI) (except store card PPI) to non-business customers in the UK. In our report published on 29 January 2009 (the 2009 report), the CC found an adverse effect on competition (AEC) in markets for PPI and decided that a package of remedies (the original remedy package), including a prohibition on selling PPI at the same time as credit, would form as comprehensive a solution as is reasonable and practicable to the AEC and detrimental effects on customers.

2. Following a legal challenge to the 2009 report, the decision to include the prohibition on selling PPI at the same time as credit (POSP) as part of the original remedy package was remitted back to us for reconsideration. In the light of new evidence regarding retail PPI we could not conclude that the remedy package including the POSP would be a substantially effective and proportionate remedy package to address the AEC we found in the retail PPI market. We therefore issued a Notice of Possible Remedies for retail PPI (the 2010 Retail Remedies Notice) inviting views on various measures that might be effective in remedying the AEC and/or the resulting consumer detriment that we had found.

3. This document presents our provisional decision on the package of remedies required to remedy the AEC and related customer detriment identified in relation to retail PPI. This is based on our consideration of responses to the 2010 Retail Remedies Notice, further submissions from parties and further analysis.

4. We have provisionally decided to implement the following package of remedies:

(a) an obligation to offer PPI separately from merchandise cover if both are offered as a bundled product (unbundling retail PPI from merchandise cover);

(b) an obligation to provide information about the cost of PPI and ‘key messages’ in marketing materials (information provision in marketing materials);

(c) an obligation to provide information to the Consumer Financial Education Body (CFEB) for publication and to provide information about claims ratios to any party on request (provision of information to third parties);

(d) a recommendation to CFEB that it uses the information provided to it under the above obligation to populate its PPI price comparisons table (recommendation to CFEB);

(e) an obligation to provide a personal PPI quote to customers before the end of the cooling-off period (personal PPI quote);

(f) an obligation to provide customers who have spent more than £50 on retail PPI premiums in the preceding 12 months with a written annual review of PPI costs including a reminder of the customer’s right to cancel (‘annual review’);

(g) an obligation to remind all customers of their cancellation rights and of key messages on an annual basis (‘annual reminder’); and

(h) a prohibition on selling of single-premium PPI policies and on charges which have a similar economic effect (‘single-premium prohibition’).

5. We have provisionally decided that the remedies be implemented by Order and that all elements of the remedy package should come into force within 12 months of the date of the Order, with the exception of the provision of information to third parties and information provision in marketing materials, which should come into force within six months of the date of the Order. We have set out the obligations on monitoring and compliance that should apply to retail PPI providers once the Order is in place.

6. We have provisionally concluded that the package of remedies proposed in this provisional decision will mitigate the AEC and the resulting consumer detriment that

we found,[1] particularly when introduced alongside the measures that we have proposed in other PPI markets.

7. We considered whether there were relevant customer benefits, as defined by section 134(8) of the Enterprise Act 2002 (the Act), to which we should have regard when deciding on remedies in the retail PPI market; in particular, we considered parties' evidence about 'waterbed' effects in credit and/or goods markets. We concluded that the evidence did not indicate the existence of relevant customer benefits such as the Act allows us to have regard to in deciding on remedial action (section 134(7)) preferred remedy package.

8. We considered other remedy options, including price caps and the POSP. We were unable to identify any alternative package of remedies that would be substantially effective in remedying all aspects of the AEC or the resulting detriment effects on customers. Nor were we able to identify any less intrusive remedies that would be as effective at addressing the AEC or resulting detrimental effects as those we propose to take forward.

9. We evaluated the proportionality of the remedy package and provisionally concluded that it represents as comprehensive a solution as is reasonable and practicable to the AEC and resulting detrimental effects on customers that we have found in relation to retail PPI.

10. The CC invites views in writing on the provisional decision and its underlying analysis by 5pm on 3 September 2010.

[1] See paragraphs 6.187 to 6.189 of the 2009 report.

Introduction

11. On 7 February 2007, the OFT referred to the CC the supply of all PPI (except store card PPI) to non-business customers in the UK. In the 2009 report, the CC found an AEC in markets for PPI and decided that the original remedy package, including a prohibition on selling PPI at the same time as credit, would form as comprehensive a solution as is reasonable and practicable to the AEC and detrimental effects on customers.

12. Barclays Bank plc (Barclays) challenged the lawfulness of the decision to impose the original remedy package. The Competition Appeal Tribunal (the Tribunal) in its judgment published on 16 October 2009 (the judgment) did not uphold the part of the appeal relating to the finding of an AEC. It did, however, uphold Barclays' appeal in part. It found that the CC had failed to take into account the loss of convenience to consumers which would flow from the imposition of a prohibition on selling PPI at the point of sale of credit—a POSP—in assessing whether it was proportionate to include it in its proposed remedy package. The CC's decision to include the POSP in its remedy package was quashed and remitted to the CC for reconsideration.

13. In our provisional decision on the matters remitted to us by the Tribunal (the Remittal Provisional Decision), published on 14 May 2010, we found new evidence that caused us to reconsider the effectiveness of the original remedy package for retail PPI. Customer research by GfK NOP Social Research (GfK) suggested to us that customer inertia, driven by the low premiums typically paid for retail PPI, and the fact that retail PPI is a tertiary product sold by retail PPI providers (after goods and credit) meant that many retail PPI customers would not in practice search for alternative policies. This new evidence meant we could no longer be confident that the remedy package set out in our 2009 report would be substantially effective in relation to retail PPI. This in turn caused us to reconsider the proportionality of the original remedy

package in relation to retail PPI and, on further consideration, we were unable to conclude that for retail PPI the original remedy package was proportionate.

14. We therefore published a Supplementary Notice of Possible Remedies for Retail PPI (the 2010 Retail Remedies Notice) to gather views on what remedies might form an effective and proportionate remedy package to remedy, mitigate or prevent the AEC in the retail PPI market and resulting consumer detriment.

15. We received seven responses to the 2010 Retail Remedies Notice, four of which were from companies that currently offered retail PPI or had done so in the past (Shop Direct Group Financial Services (SDGFS), JD Williams and Company Ltd (JD Williams), Freemans Grattan Holdings (FGH) and Express Gifts Ltd (Express Gifts)) with other responses coming from the OFT, the Financial Services Authority (FSA) and Citizens Advice. Non-confidential versions of these responses can be found on our website. In addition, we held two remedies hearings with parties and have received supplementary evidence. We have considered carefully the evidence we have received.

16. We have now come to a provisional decision as to the package of remedies we intend to introduce in relation to retail PPI. This provisional decision sets out this proposed package of remedies and how we expect it to address the AEC that we have found. These proposals should all be regarded as provisional and will be reviewed following further representations.

The AEC

17. In the 2009 report we concluded that features of relevant markets, either alone or in combination with each other, prevented, restricted or distorted competition in the

supply of retail PPI to non-business customers in the UK,[2] and that these gave rise to an AEC within the meaning of section 134(2) of the Act. These features were summarized in paragraph 6.187 of the 2009 report, as follows:

(a) Distributors fail actively to seek to win customers by using the price or quality of their retail PPI policies as a competitive variable.

(b) Consumers who want to compare retail PPI policies, stand-alone PPI or short-term income protection (IP) policies are hindered in doing so. Product complexity (the variations in terms and conditions, the way information on retail PPI is presented to customers); the bundling of retail PPI with credit accounts and with merchandise cover, and the limited scale of stand-alone provision act as barriers to search retail PPI policies. In addition, the time taken to obtain accurate information on benefits is a barrier in relation to the provision of retail PPI. These barriers to search impede the ability of consumers to make comparisons, and therefore effective choices, between retail PPI policies. They also, therefore, act as barriers to expansion for other retail PPI providers, in particular providers of stand-alone PPI.

(c) Consumers who want to switch retail PPI policies to alternative providers or to alternative types of insurance policies are hindered in doing so. Terms which risk leaving consumers uninsured (for a short period of time or in case they suffer a recurrence of a problem) and the bundling of retail PPI with merchandise cover act as barriers to switching. In addition, the lack of access to consumers' balance information acts as a barrier for switching for retail PPI as it renders stand-alone providers unable to offer equivalent retail PPI policies. These barriers to switching limit consumer choice. They also therefore act as barriers to expansion for other retail PPI providers, in particular providers of stand-alone PPI.

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[2]See section 6 of the 2009 report.

(d) The sale of retail PPI at the initial point of sale, and the continued exclusive access to credit accounts by distributors, further restricts the extent to which other providers can compete effectively.

18. We further concluded that the detrimental effects on consumers of these features were higher prices for retail PPI policies than would be expected in a well-functioning market. We also concluded that it was possible that there was less innovation than would be expected in a well-functioning market. However, we did not find that high prices for retail PPI were significantly distorting prices for credit or retail goods, although we received further submissions on this matter following publication of the Remittal Provisional Decision (see paragraph 145).

19. The decision of the Tribunal to quash the decision to include the POSP as an element in the original remedy package did not affect our findings on the AEC. Accordingly, because the CAT did not quash our decision on any part of the AEC as it is set out in the 2009 report, our decision on the existence of an AEC in the market for retail PPI stands.

20. During the remittal we received new evidence which cast doubt on whether the original remedy package as set out in the 2009 report remained as comprehensive a solution as was reasonable and practicable to the AEC which we had found.

21. In our view, the new evidence we received, referred to in paragraph 13, gave us reason to consider amending the remedy package, including the POSP. The balance of this provisional decision document explains our views on the remedies we consider are necessary to remedy, mitigate or prevent the AEC and resulting consumer detriment and our reasons for those views.

Structure of this document

22. The framework for the assessment of remedies, as set out in the Act and in our market investigation guidelines,[3] is summarized in Appendix A.

23. The remainder of this document sets out the provisional decisions that we have reached by applying this framework and is structured as follows:

(a) First, we look at the remedy options we have provisionally decided should form part of the overall remedy package. For each of these we set out the original remedy option consulted on, summarize the responses received on the option, and our views on the points made, and then set out how we envisage the remedy should be formulated (paragraphs 24 to 115).

(b) Second, we set out the remedy options we do not propose to implement, summarizing the responses to the Supplementary Notice received on those options and why we are not taking them forward (paragraphs 116 to 140).

(c) Third, we consider whether there are any relevant customer benefits arising from the current market structure and features which would be lost if we imposed remedies (paragraphs 141 to 147).

(d) Fourth, we look at the issues relating to the implementation of the proposed remedy package (paragraphs 148 to 149).

(e) Finally, we assess the overall effectiveness and proportionality of the proposed remedy package (paragraphs 150 to 176).

The options that we are proposing to take forward

24. The next two sections discuss the remedy options set out in the 2010 Retail Remedies Notice and those that have subsequently been put to us.

[3] *Market Investigation References: Competition Commission Guidelines, CC3.*

25. In this section, we set out the measures that we are proposing to take forward as our remedy package for retail PPI. These are:

(a) an obligation to offer PPI separately from merchandise cover if both are offered as a bundled product (unbundling retail PPI from merchandise cover);

(b) an obligation to provide information about the cost of PPI and 'key messages' in marketing materials (information provision in marketing materials);

(c) an obligation to provide information to CFEB for publication and to provide information about claims ratios to any party on request (provision of information to third parties);

(d) a recommendation to CFEB that it uses the information provided to it under the above obligation to populate its PPI price comparisons table (recommendation to CFEB);

(e) an obligation to provide a personal PPI quote to customers before the end of the cooling-off period (personal PPI quote);

(f) an obligation to provide customers who have spent more than £50 on retail PPI premiums in the preceding 12 months with a written annual review of PPI costs including a reminder of the customer's right to cancel (annual review);

(g) an obligation to remind all customers of their cancellation rights and of key messages on an annual basis (annual reminder); and

(h) a prohibition on selling of single-premium PPI policies and on charges which have a similar economic effect (single-premium prohibition).

26. Some of the issues raised by parties have already been considered in the 2009 report. Where this is the case—and in the absence of new evidence or argumentation—we will rely on and refer to our earlier reasoning.

Unbundling retail PPI from merchandise cover

27. This element of the remedy package was summarized in Figure 10.6 of the 2009 report, reproduced below.

FIGURE 1

Specification of this measure in the 2009 report

Where distributors of retail PPI offer an insurance package containing PPI and merchandise cover, they must also offer, as a separate item, PPI cover alone.

How this measure addresses the AEC

28. Paragraph 10.280 of the 2009 report sets out our reasoning on how this measure addresses the AEC. By separating retail PPI cover from the merchandise cover offered by retail credit providers, this element of the remedy package helps address the barriers to search in retail PPI, making it easier for customers to compare PPI products offered by different retail credit providers and to search for alternative PPI offers, including stand-alone PPI and short-term IP. By increasing pricing transparency, it helps address the failure of distributors to compete on price.

Responses to the 2010 Retail Remedies Notice and our view on new issues raised

29. A summary of the responses to the original consultation on this remedy option is set out in paragraphs 10.278 to 10.301 of the 2009 report. The responses from the retail PPI providers to the 2010 Retail Remedies Notice were similar to those summarized in the 2009 report. The main points raised during this consultation were as follows:

(a) SDGFS said that it did not believe any such remedy was necessary because the CC has recognized that it now offered an unbundled policy. As a consequence, it considered that any barrier to searching that might have existed had been significantly reduced. It also noted that, on the basis of the GfK research commissioned by the CC, it was not clear that there were significant numbers of customers that would like the option to purchase the PPI element of the bundled product

separately. SDGFS also noted that the GfK research had found that consumers would prefer to purchase a bundled policy of merchandise cover and PPI, therefore a requirement to unbundle would deprive consumers of their preferred choice of policy. However, SDGFS told us that it had introduced the LEP policy because it believed that there were customers who would buy this product but it might be more practical to use the CC's provisional conclusions and the outcome of the GFK research as a basis for assessing the remedies that the CC was considering imposing. SDGFS told us that it would be very costly to offer the bundled and unbundled products to customers over the telephone since it would involve a lengthy explanation of the different options and increase call time significantly. SDGFS said that the requirement to also offer customers an unbundled product would be likely to cause SDGFS serious difficulties in meeting its FSA obligations to make non-advised sales. It suggested a lower cost variant that would require retail PPI providers to market both the bundled and unbundled options in their catalogues and on their website but which would only require retail PPI providers to sell a customer an unbundled product over the telephone if it was requested by the customer.

(b) JD Williams (which does not presently offer an unbundled product) was also concerned about the impact of the remedy on sales calls and cost (including that conversion rates would fall if the sales call had to be longer). JD Williams told us that its customers greatly valued the merchandise cover and, by unbundling, it would be forced to create a new product that very few customers would want. It also said that the difference in price between the bundled and unbundled version of PPI would be small. However, JD Williams said it recognized that developing an unbundled retail PPI product would contribute to increasing transparency in the retail PPI sector and assist search. It said that it would be willing to offer an unbundled PPI product if the CC concluded that this was necessary to address the AEC. JD Williams also told us that, if this measure were taken forward, it

would prefer the variant of this remedy option that would require retail PPI providers to market both the bundled and unbundled options in their catalogues and on their website but which would only require retail PPI providers to sell a customer an unbundled product over the telephone if it were requested by the customer, as this was less likely to result in longer sales calls.

(c) FGH said that while the remedy might, on the face of it, provide the customer with greater choice, there was little or no evidence of customer demand for it. FGH referred to its own experience of offering an unbundled advised product which it later withdrew for commercial reasons.

(d) Express Gifts also considered that while it would be able to make the change, in practice customers did not want the unbundled product.

(e) Citizens Advice supported the measure but was concerned to make sure that avoidance should be prevented.

(f) The OFT said that the remedy was required to enable customer switching and for customers to search and choose alternative retail PPI policies from other providers.

30. The parties' submissions about the costs of this measure under alternative specifications are summarized in Appendix B.

Our views

31. For the reasons set out in paragraphs 32 to 37, the evidence we received during the remittal did not show that there had been any lessening of the barriers to search which this element of the remedy package is designed to address and therefore did not cause us to change our view that it is necessary to include in the remedy package a requirement for the unbundling of retail PPI from merchandise cover in order to address the barriers to search and switching we found (see paragraphs 28 above and 10.280 of the 2009 report).

32. We considered the arguments that there would be no customer demand for an unbundled product. We noted that SDGFS told us it had taken a commercial decision to offer an unbundled retail PPI product, and it confirmed that it would continue to sell the product because it continued to see customer demand for it. SDGFS had not sold many policies to date (it estimated the number of such policies sold to be less than [1,000] since it was introduced in October/November 2009), though this was, in large part, due to IT difficulties that it had experienced more recently which had meant that it had been unable to offer the product since February 2010. We noted that FGH had previously withdrawn such a product on commercial grounds. We also noted that participants in the GfK customer research (see section 3.4.2 of the GfK report) had expressed a preference for merchandise cover to be included with retail PPI and a willingness to pay more to be covered for a range of eventualities even if some cost saving could be made through selecting particular elements of the bundled product.

33. We thought that the demand for an unbundled product would, in part, be affected by the price at which the unbundled product was offered to consumers, in particular by comparison with products that included merchandise cover. Here, again the evidence was mixed. SDGFS offers its unbundled product at around a 25 per cent discount to its bundled product. This was broadly consistent with evidence presented to us by SDGFS during the original investigation about the proportion of GWP accounted for by merchandise cover (see paragraph 6.16 of the 2009 report). By contrast, information provided by JD Williams showed that only a very small proportion of claims made (below 1 per cent by value and volume in most years) on its home shopping insurance related to merchandise cover, which was consistent with its submission that it would not offer an unbundled product at a significant discount.

34. We concluded, on the basis of the above evidence, that there were likely to be some customers who would prefer to take out an unbundled product, if it were offered at a

sufficient discount, though others would prefer to pay more for a product that included merchandise cover. Even if the demand for unbundled retail PPI policies was low, an obligation on retail PPI providers to offer an unbundled product and to publish pricing and other information about it (as required by the informational remedies that we propose to take forward as part of the remedy package) would increase transparency by providing an additional reference point for consumers to compare the offerings of retail PPI providers against other forms of PPI. We do not consider that offering both an unbundled product and a bundled product would put at risk any party's non-advised sales status, and note that the FSA has not raised any concerns in this regard.

35. We looked next at the proposal by SDGFS that retail PPI providers should not be required to offer the unbundled product to every customer over the telephone during every sales call. We thought there was a risk that this might reduce the effectiveness of this measure, in that some customers would be unaware when taking out retail PPI that an unbundled product was available. However, the SDGFS proposal, in combination with the informational remedies, would make information about the unbundled product available before and after the point of sale of the PPI, such that those consumers who were motivated to make such a comparison would be able to do so and to act on this information. In this context, we noted the findings of the GfK customer research for the CC which suggested that many retail PPI customers would not in practice search for alternative policies, and that those more likely to search would be those whose retail PPI premiums were larger than average, and/or who held other PPI policies or short-term IP policies already. We found that the reduction in effectiveness would not be substantial as the SDGFS proposal would still enable those customers who were motivated to search and switch to use the cost of an unbundled product to make comparisons.

36. We noted the large differences in estimated ongoing costs between requiring the unbundled product to be promoted in all calls, as compared with the proposal to develop and market such a product and to make this available to customers over the telephone on request (estimated annual costs for the two largest retail PPI providers were over £[✂] if the product was promoted in all calls compared with a cost of below £[✂] otherwise—see Appendix B). While we could not validate the precise magnitude of the cost difference, we received consistent evidence from providers that the impact on the length of calls was a material factor and was the main ongoing cost associated with this measure.

37. Given the difference between the costs of the two alternatives, and our view that this would not make a substantial difference to the effectiveness of this measure, we decided that the variant of this remedy suggested by SDGFS would be more proportionate and we intend to modify the remedy in line with this suggestion.

Provisional decision on implementation of this measure

38. We propose to require those retail PPI providers who offer a PPI product bundled with merchandise cover also to offer an unbundled retail PPI product, excluding merchandise cover. We expect the unbundled product to be promoted with equal prominence as the bundled product, for example in retail PPI providers' catalogues and on their websites. Retail PPI providers will not be required to offer the unbundled product to every customer over the telephone but retail PPI providers will be expected to sell the unbundled product to customers on request through any distribution channel where they offer the bundled product.

Information provision in marketing materials

39. This element of the remedy package was summarized in Figure 10.3 of the 2009 report, reproduced below.

FIGURE 2

Specification of this measure in the 2009 report

All PPI providers must prominently disclose the following information in any PPI marketing materials, which include pricing claims or cost information, any indication of the benefits of the PPI product or its main characteristics: 1. the monthly cost of PPI per £100 of monthly benefit;*† 2. that PPI is optional‡ and available from other providers (without specifying those other providers); and 3. that information on PPI, alternative providers and other forms of protection products can be found on CFEB's[4] moneymadeclear website. *If the benefit pays out for less than 12 months, notice of this fact must also be clearly disclosed to consumers alongside the cost of the policy. †CCPPI and retail PPI providers must also show the cost of PPI per £100 of outstanding balance. ‡If the PPI provider is a stand-alone provider, it does not have to include the information that the PPI is optional in their marketing material.

How this measure addresses the AEC

40. Our reasoning for how this measure addresses the AEC was set out in paragraphs 10.182 to 10.184 of the 2009 report. We decided that certain standard information should be provided to consumers in relevant PPI marketing materials to help them understand the price of PPI and search more effectively for the best-value stand-alone policy or combination of credit and PPI. This element of the original remedy package would make it easier for consumers to compare PPI products offered by different providers and to search for alternative PPI offers, including stand-alone PPI and short-term IP policies. By increasing the prominence of PPI prices within the information provided to consumers, the remedy would help to address the failure of distributors to compete actively on the price of their PPI products. In the 2009 report we also explained that this requirement would complement and enhance other

[4]Since the 2009 report, responsibility for operating the moneymadeclear website and the comparative tables has passed from the FSA to CFEB.

measures that address barriers to search and complement and support measures to facilitate switching.

Responses to the 2010 Retail Remedies Notice and our view on new issues raised

41. Responses to our original consultation on this remedy are set out in paragraphs 10.185 to 10.222 of the 2009 report, with specific comments related to retail PPI discussed in paragraphs 10.218 to 10.222. In response to the 2010 Retail Remedies Notice, the parties made the following comments:

(a) SDGFS said it agreed in principle that the provision of certain information (in a targeted way) from retail PPI providers would result in a lower cost to SDGFS than the imposition of the other remedies and that, to the extent that there were some retail PPI customers who wished to search, the information remedies should enable them to do so more effectively in a cost-effective way that would produce consumer benefits in excess of implementation costs. SDGFS said that information remedies could increase transparency and could only assist in developing markets and encouraging competitive entry. SDGFS suggested that the material should only include messages that were easily understood by customers and suggested that the information should be limited to documents that customers were likely to read (for example, the catalogues, and on the website). In particular, SDGFS said that it should not be required to provide the information to customers over the telephone when they discussed the purchase of PPI, since customers would be likely to have already seen the information about PPI and it was not necessary to repeat it in the phone call. SDGFS said that a requirement to publish the cost of £100 of monthly benefit might cause confusion since it would have little meaning to customers because the monthly premiums and credit balances were typically low. SDGFS also said that it would be very difficult, if not impossible, to calculate a monthly cost per £100 of benefit as customers would

often have purchased different items on a number of different credit terms and the balances on these would fluctuate constantly.

(b) JD Williams broadly supported measures which enhanced transparency and comparability but expressed reservations about providing cost per £100 of benefits. It believed that the best time to provide consumers with information was before a PPI sale and during the cooling-off period, and suggested that the information could be made available in letters explaining PPI and in a separate leaflet within the customer's credit statement. JD Williams suggested that the same information could be provided in repeat mailings after the sale of the PPI policy. However, JD Williams also suggested that including statutory information in the sales call itself would cause confusion to the customer and information overload and said that longer sales calls were likely to increase rather than reduce barriers to switching, significantly increasing the cost of sales and the time taken to complete the sales process. It suggested that firms in the sales call should be required to refer the customer to the information already supplied within their marketing material or policy documents. JD Williams also told us in an oral hearing that a significant number of their customers did not work and so received hospitalization cover instead of unemployment cover, and that the benefits paid varied significantly depending on the event, such that it would be difficult to provide a meaningful cost per £100 of benefit figures.[5]

(c) Express Gifts agreed that the provision of meaningful information would be beneficial, but expressed concern that the customer should not be overloaded.

(d) FGH was also in broad support of appropriate information provision which would enable customers to shop around and to make informed choices. It said that pre-sale documents, such as catalogues and equivalent means of communication, were the proper environment for such information as it gave both time and space

[5]For example, JD Williams pays a customer's minimum monthly payment in the event of an unemployment claim compared with twice the outstanding balance if a customer is in hospital for more than 14 days in a row.

for shoppers to make a meaningful assessment of their own personal requirements in advance of a sales call. It also expressed concern at the risk of providing customers with too much information.

(e) The OFT agreed that the information provision remedy should allow retail PPI customers to make more informed decisions on whether to take out PPI and should allow those who were interested in searching for alternatives to be able to acquire an awareness of these. It also suggested that some strong targeted messages, such as around eligibility to claim under a policy and the annual cost of a policy, may be of particular relevance for retail PPI customers.

(f) Citizens Advice believed that this remedy would be beneficial, but would be insufficient on its own to remedy the detriment identified.

42. The parties' submissions on the cost of this measure are summarized in Appendix B.

Our views

43. The evidence provided during the remittal did not show any lessening of the barriers to search and therefore gave us no reason to change our view, as expressed in paragraph 40 above and in paragraphs 10.182 to 10.184 of the 2009 report, that this remedy is a necessary element of the remedy package. We also note that the parties' estimates of the costs of implementation of this remedy are low.

44. We noted that all parties agreed that there would be benefits to providing information to customers to enable them to compare PPI products. However, concerns were raised by providers over whether we should require the information to be given in sales calls and over requiring price to be disclosed as a monthly cost or every £100 of monthly benefit.

45. On the first issue, the original formulation of the remedy required the information to be included in any PPI marketing materials that include pricing claims or cost information but did not require the information to be made orally in sales calls. This oral disclosure was, however, required as part of the POSP remedy as we considered that this disclosure would reinforce the beneficial impact of the POSP on competition.

46. As we are not taking the POSP forward for retail PPI (see paragraphs 117 to 124), we considered whether there would still be merit in requiring these disclosures to be made orally in the absence of a POSP. We thought that the key messages that PPI was optional and available elsewhere would increase the possibility of subsequent search, as would drawing the customer's attention to the moneymadeclear website. We were less sure that oral disclosure of pricing in a prescribed format would have much of an impact on customer search. This was because we saw the main benefits of such a disclosure arising from the ability to compare prices, which was unlikely to happen during a telephone conversation. We noted that the FSA already expects retail PPI providers to disclose price information during the PPI sales process.[6] We also noted the evidence of the parties that it could take some time to explain the price of PPI using a variety of metrics, which would add to the cost of this measure.

47. In light of the evidence, we therefore decided to require retail PPI providers to state during sales calls that PPI is optional and available from other providers and that information on PPI, alternative providers and other forms of protection products can be found on CFEB's moneymadeclear website, but not to require retail PPI providers to state the price of PPI using any particular metric during sales calls.

48. As noted above, the parties also raised strong objections to having to provide the price presented as a monthly cost for every £100 of monthly benefit. This was an

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[6] ICOBS 4.2.4.

issue that we considered in some depth in paragraphs 10.203 to 10.212 of the 2009 report, with specific discussion of its applicability to retail PPI in paragraphs 10.218 to 10.221.

49. The two main issues raised in this further consultation were:

(a) the suitability of this metric for retail PPI, in particular the concern that the cost for every £100 monthly benefit metric focuses on ASU cover, whereas retail PPI policies offer a range of other benefits including some that are not paid monthly; and

(b) the practicability of calculating the metric in relation to retail PPI.

50. On the first point, it is correct that the monthly cost for every £100 monthly benefit metric compares the monthly cost of PPI and the monthly benefit a customer receives if he or she makes a valid AS or U claim. It does not reflect the value of benefits (eg life cover) that are not paid monthly.

51. In the 2009 report, we concluded that monthly cost for every £100 monthly benefit provided a useful point of comparison between retail PPI and other PPI policies, which added value to the disclosure of the monthly cost for every £100 outstanding balance. In particular, this metric facilitates comparison with short-term IP and stand-alone PPI policies and provides an indication of the ASU benefits available to customers, which we had found could vary substantially, notwithstanding the similar headline pricing of retail PPI policies (see paragraph 6.96 of the 2009 report).

52. We did not think that it was practicable to develop a pricing measure that incorporates the value to customers of every element of a PPI policy into a single number—the nearest thing to such a measure is probably the claims ratio—and none of the parties has suggested to us how this might be done. We also took the view, in

developing this measure as a 'common currency' for all PPI policies, that it was appropriate to focus on ASU benefits as these were a core element of PPI policies, including retail PPI policies.[7] Use of this metric would be consistent with the approach taken by CFEB on the comparative tables on its moneymadeclear website, which present the cost per £100 of monthly benefit for an ASU claim as an appropriate comparator.

53. We noted in paragraph 10.221 of the 2009 report that distributors would be free to promote other features of their policy that were not incorporated in this metric. We thought that they were likely to wish to do this as it would enable them to explain to potential customers that their product offers additional benefits which would justify any additional cost.

54. In light of the rationale for this element of the remedy package to encourage search and to enable customers to make comparisons, we see strong benefits in applying the same pricing metric to retail PPI as to other forms of PPI. Nonetheless, we considered whether there were unique features in relation to retail PPI which made it inappropriate for this sector.

55. We noted that retail credit and retail PPI customers are less likely than other credit and PPI customers or the population as a whole to be in full-time work and more likely than these other groups to be in part-time work. GfK's Financial Research Survey indicates that a substantial proportion of mail order loan customers (46 per cent) do not work and a further 4 per cent are self-employed. We also noted that JD Williams markets retail PPI to around 90 per cent of its credit customers, a substantial proportion of whom would not be eligible for the ASU elements of its cover.

[7]We note that the GfK survey showed that ASU and merchandise cover were the two aspects of policies most likely to be spontaneously recalled (see paragraph 56).

56. However, in paragraph 10.220 of the 2009 report we noted that, like other providers of PPI, retail credit providers offer ASU as a core part of their PPI offering and these benefits are paid out on a monthly basis. This view of ASU being an important part of the retail PPI offering was supported by the GfK customer research[8] in which the vast majority of participants spontaneously recalled some aspect of ASU, as well as merchandise cover, when asked to recall the characteristics of their retail PPI policy. Evidence submitted by JD Williams during the remittal indicated that around 80 per cent of successful claims made between 2004 and 2010 were for AS or U, although the largest source of claims by value related to life cover.[9] We concluded that ASU was an important element of the PPI products offered by all retail PPI providers and that therefore quoting the price for every £100 of monthly benefit was likely to add value to disclosure of other indicators of the price of retail PPI.

57. We also considered SDGFS's argument that many PPI customers had small outstanding balances, so that very few would in practice be liable to receive a monthly benefit of £100 in the event of making a claim. While we understood the point that SDGFS was making, we did not think that this would make this metric incomprehensible to customers—particularly as it would be used in other PPI markets. We took the view that the benefits of showing price on a consistent basis across all forms of PPI clearly outweigh any possible benefits in terms of consumer understanding that would derive from presenting costs for retail PPI only by reference to a smaller monthly benefit.

58. We therefore concluded that this was an appropriate metric to use for retail PPI, notwithstanding the differences between retail PPI and other forms of PPI.

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[8]See Retail PPI Qualitative Research Findings, paragraph 3.2.2.
[9]50 per cent of claims by value between 2004 and 2010 were for life cover, where the payment is made as a lump sum to pay off the outstanding balance on the account.

59. We then considered the practicability of applying this metric to retail PPI. Appendix C sets out how this metric could be applied to the different types of credit account on which retail PPI is offered. We concluded from this analysis that it would therefore be practicable to apply this metric to retail PPI.

Provisional decision on implementation of this measure

60. We have provisionally decided that we should implement this remedy as specified in the 2009 report in relation to marketing materials. We have also provisionally decided to require retail PPI providers to state during sales conversations that PPI is optional and available from other providers and that information on PPI, alternative providers and other forms of protection products can be found on CFEB's moneymadeclear website, but not to require retail PPI providers to state the price of PPI using any particular metric during sales calls.

Provision of information to third parties

61. This element of the remedy package was summarized in Figure 10.4 of the 2009 report, reproduced below.[10]

FIGURE 3

Specification of this measure in the 2009 report

All PPI providers must provide comparative data to CFEB,[11] as specified by, and in the format requested by, CFEB. We also recommend to CFEB that it uses the information provided to it under this obligation to populate its PPI price-comparison tables.

All PPI providers should provide to any person, on request, aggregate claims ratios, split by product type, for the previous year. These can be provided in the form of a range to be specified by the CC.

[10]Figure 10.4 of the 2009 report also included a requirement to disclose information to the OFT to facilitate its monitoring of the remedies. These monitoring requirements are discussed in Appendix D.
[11]Since the 2009 report, responsibility for operating the moneymadeclear website and the comparative tables has passed from the FSA to CFEB.

How this measure addresses the AEC

62. The rationale for this remedy was set out in paragraphs 10.223 and 10.224 of the 2009 report where we said we had found that a consumer's ability to compare products was reduced by an absence of information provided in a way that would help them, and that few distributors actively sought to win credit and/or PPI business by using the price (or non-price characteristics) of their PPI policies as a competitive variable.

63. Paragraph 10.225 of the 2009 report explained how we expected the remedy to address the AEC. We expected that this requirement would make information available which would help consumers to compare the cost of PPI and would help consumers to search for the best-value policy. By facilitating search and switching, this requirement would complement and enhance other measures including the provision of a personal PPI quote, the provision of information in marketing material and the annual review.

Responses to the 2010 Retail Remedies Notice and our view on new issues raised

64. Responses to our original consultation on this remedy are set out in paragraphs 10.226 to 10.242 of the 2009 report. In response to the latest consultation, the parties raised the following points, virtually all of which were also raised in the original consultation:

(a) SDGFS said that since the GfK survey had found that most Retail PPI customers were unlikely to search for alternative products due to the low premiums, this remedy would not be effective. However, SDGFS acknowledged that, in principle, the development of independent reference sites could be beneficial for customers, but suggested that the information provided should not focus solely on price but should reflect the different nature of the products and providers as price was not a sufficient comparator for very different types of products. It said that

provided the information to be provided to CFEB was strictly limited to what was necessary and useful, the cost of the remedy would be low. However, SDGFS did not agree that it should be required to provide claims ratios to any person on request. It said that the ratios would not enable customers to compare PPI products as they would not have any real meaning to customers because claims ratios were dependent on variables such as customer demographics, product features and benefits and underwriting policies. It said that the claims ratios would have to be so heavily caveated that they would be ineffective in enabling customers to search.

(b) JD Williams agreed that it would be feasible to provide comparative data to CFEB for publication on a comparison website and noted that this remedy might increase customer search. It was concerned about the comparability of retail PPI policies with other policies, noting that retail PPI policies might offer benefits that other policies did not. It said that it would be misleading if the comparison basis was cost per £100 of monthly benefit because of the enhanced benefits that PPI policies provided, and said that there was a risk that retail PPI cover could be reduced to that of the lowest common denominator. JD Williams provided us with some suggestions as to how retail PPI could be best disclosed on the CFEB website. It strongly objected to the obligation to supply claims ratios to any party on request. It said that they would not be fully understood by customers and would not give customers any meaningful information with which to take an informed decision to buy PPI. It said that customers were more interested in whether a claim made would be paid, and suggested that the measure should be the percentage of claims made that were paid. It also said that if we required this information, we should require underwriters to supply it to distributors. Finally, it said that the timing of the disclosure of claims ratios should be brought in line with the FSA’s current complaint-handling rules and a reply be made available

'orally' by the end of the next business day following the day the request was received.

(c) Express Gifts also opposed the provision of claims ratio information and suggested that most customers would not understand what they meant.

(d) FGH considered that it was feasible to provide the suggested information to CFEB for inclusion in price comparison tables, but also said that the comparison should include the other benefits available from retail PPI along with the basic ASU cost. In light of the GfK research, it argued that this remedy would have little impact on the AEC. It also said that it did not object to disclosing penetration rates, GWP and aggregate claims ratios to the OFT for the purpose of monitoring the effectiveness of the proposed remedies. However, it also raised concerns over customer confusion. It said that claims ratios were commercially sensitive and that it was inappropriate to disclose this information to any party on demand and could fuel frivolous and vexatious complaints, for example from claims management companies.

(e) The OFT supported the inclusion of this remedy; however, Citizens Advice thought it unlikely that web-based comparative tables and claims ratios would have any significant effect on the majority of mail-order/catalogue users.

65. SDGFS and JD Williams both suggested that the costs of the remedy would be small: SDGFS said £[✂];[12] and JD Williams said that the annual costs would be £[✂] with minimal implementation costs.[13]

Our views

66. We considered whether the GfK customer research (see paragraph 13) meant that this remedy, or indeed any remedy aimed at facilitating customer search and switch-

[12]Appendix K of Remittal Provisional Decision, paragraph 25.
[13]Appendix K of Remittal Provisional Decision, Tables 1 and 2.

ing, would be wholly ineffective, as had been suggested by some parties. Although we thought that the parties had interpreted the GfK research in a pessimistic way, we accepted that the GfK findings suggest that, because of the low amount typically spent on retail PPI premiums, many customers do not feel the effort to search is justified and measures aimed at increasing the level of search will have limited effect on these customers unless their attitudes to searching change. However, we noted that a significant minority of retail PPI customers spend in excess of £50 a year on retail PPI (see paragraph 90), and that for these higher-spending retail PPI customers, there were potential benefits from searching the market which could justify the effort, particularly if we put in place measures such as this to make searching easier.

67. We noted that most of the other points raised by parties were also raised in response to our first remedies consultation and were discussed in the 2009 report.

68. In paragraph 10.231 of the 2009 report, we considered whether the fact that the CFEB tables used the cost of PPI for every £100 monthly benefit as a metric for comparing the price of PPI policies was likely to mislead users of that site if this approach were extended to retail PPI; and we did not agree that it would. We acknowledged that there may be differences in the levels of cover (for example, because of demographics or employment status of customers), but we considered that it was important for consumers to be able to compare the overall value for money of alternative PPI policies. We also noted that consumers could take into account other product features disclosed on the moneymadeclear website.

69. In paragraphs 10.239 and 10.240 of the 2009 report, we considered whether parties should be required to provide claims ratios. We took the view that claims ratios were an important measure of both absolute and comparative value for money and that

this was the only readily available quantitative comparison of PPI providers. We anticipated that consumer groups and others would make use of this information to inform consumers about the value for money on offer by different providers. We noted that in a more competitive market for PPI we would expect to see claims ratios increase, and making this information available would enable the OFT and others to monitor the effectiveness of our package of remedies. We concluded that the availability of the claims ratios had an important role to play in addressing the AEC that we found. To address concerns about commercial confidentiality, we decided that claims ratios provided to parties other than the OFT could be presented in the form of a range (for example, 0–10 per cent, 10–20 per cent) with one aggregated banding above a certain figure.

70. In paragraph 10.242 of the 2009 report, we considered but decided against imposing a requirement to publish an indication of the percentage of claims accepted (proposed by JD Williams as an alternative to claims ratio) as this would not address the AEC that we had found to any material respect. We have seen no evidence to lead us to change this conclusion.

Provisional decision on implementation of this measure

71. We concluded that an obligation on retail PPI providers to provide information to CFEB for use in its price comparisons tables, when combined with a recommendation to CFEB to develop its website to incorporate retail PPI, would make an important contribution towards addressing the AEC in retail PPI. It would help those retail PPI customers who were motivated to search and switch to do so, by helping them compare retail PPI policies against one another and against other PPI products including stand-alone PPI, short-term IP and CCPPI. We also concluded that the obligation to make claims ratios publicly available was necessary for the reasons set

out in paragraphs 10.240 of the 2009 report. We therefore decided to implement this remedy as specified in paragraph 10.240 of the 2009 report.

Obligation to provide a personal PPI quote during the cooling-off period

72. In the 2009 report, we concluded that a personal PPI quote was necessary, in conjunction with the POSP, to assist customers to search. The personal PPI quote would contain information about the consumer, the credit product that is being insured (where this is relevant) and the PPI policy. We have provisionally decided not to impose the POSP (see paragraph 124) but have explored with parties whether the personal PPI quote might instead be adapted to provide information about retail PPI during the cooling-off period.

73. The aim of this measure would be to encourage customers to review their recent PPI purchase during the cooling-off period and to provide them with information that would enable those customers who were interested in doing so to compare the PPI policy they have recently taken out against alternatives. This measure would contribute towards addressing the AEC by encouraging search and would act with the remedies requiring the provision of information in marketing materials and the supply of information to CFEB for publication on its price comparisons website.

Views of the parties

74. The views of the parties were as follows:

(a) SDGFS told us that that a well-designed set of information remedies would assist in increasing transparency and would encourage and assist with increased competition in the future. As such, SDGFS agreed in principle with the provision of a personal PPI quote during the cooling-off period. SDGFS suggested that this would be most effective and least costly if the personal PPI quote could be included with other policy documents sent to customers and if the personal PPI

quote could be communicated electronically, for those customers who use the Internet to manage their Shop Direct account. SDGFS also provided us with some comments and suggestions about the specification of the personal PPI quote which it considered would improve the effectiveness of this communication. Among these comments, SDGFS told us that the combined APR was misleading and should be removed from the personal PPI quote because most of SDGFS's credit was provided interest free, and that some of the text in the quote would need to be adapted to reflect that the quote would be issued during the cooling-off period. SDGFS also said that using the phrase 'cheaper or more appropriate cover' was likely to be providing advice under the FSA rules which it could not do as it sold on a non-advised basis; it did not hold details of customers' age and employment status; and customer balances were likely to be significantly lower than their credit limits, so the credit limit was not a good indicator of the cost of PPI.

(b) JD Williams told us that one of the keys to an effective and proportionate remedy package lay in the creation of an opportunity for customers to compare alternative PPI products. The provision of the personal quote would give customers the information required to do this and, when supplied around the time they had already decided to purchase the policy, might encourage them to consider other policies available to them. In JD Williams' view, supplying the quotation to customers with their policy documentation would encourage customers to compare PPI polices. They would have in their possession all the information regarding the JD Williams policy to allow a fair comparison with other suppliers, and the costs involved would be proportionate to the AEC found in the retail PPI market.

(c) FGH expressed concerns about the cost and complexity of the personal PPI quote as specified in the 2009 report and suggested that this might discourage new entrants to the retail PPI market and, indeed, might lead others to question the long-term viability of the product. If this measure were introduced, FGH would

prefer to include a personal quote with other policy documents to avoid sending potentially sensitive data through two mailings.

(d) Express Gifts told us that as it did not currently sell a PPI product, this would not have any effect on it. However, its opinion was that, if a personal PPI quote was to be provided, it would make most sense for it to be enclosed with other policy documentation. This would only have a minimal cost impact on businesses and would mean that the customer saw the quote as quickly as possible after the sale was made and whilst it was uppermost in their mind.

(e) The OFT questioned whether, on its own, this option would offer a sufficiently effective intervention. Citizens Advice believed that a reminder of cancellation rights could be effective in helping consumers to understand that there had been an insurance sale and the steps they could take to cancel. The FSA said that if the POSP was removed on the basis that consumers were unlikely in practice to switch to alternative policies, this remedy would be beneficial to competition by providing an additional opportunity for consumers to consider whether to cancel their policy following the sale.

75. We also collected information from retail PPI providers about the costs of alternative specifications of this remedy option. These are set out in Appendix B.

Our views

76. In our view, this measure would make a contribution towards addressing the AEC by encouraging customers to search and switch during the period immediately after taking out a retail PPI policy, reminding customers that they can cancel PPI policies and providing information that would help them look elsewhere for cover.

77. In paragraph 10.68 of the 2009 report, we found that measures aimed at encouraging customers to search and switch during the cooling-off period were generally less

likely to be effective than measures, such as the POSP, which encouraged consumers to search before committing to a particular provider. We also noted that participants in the GfK customer research did not generally look in much detail at policy details after taking out retail PPI.[14] We acknowledged these limitations on the impact of this measure, but thought that the information contained within the quote would enable those customers who took the opportunity to read it to compare their retail PPI policy against alternatives and that the key messages contained in the personal PPI could act as a prompt for some of these customers to shop around.

78. In considering the design of this measure, we considered whether to require a personal PPI quote in a standard format or whether a 'lighter-touch' disclosure than the personal PPI quote would be equally effective. In particular, we considered whether customers could instead be provided with the following key messages:

(a) that taking out PPI is optional;

(b) that cheaper or more appropriate cover may be available from other providers;

(c) where to find more information about alternatives; and

(d) how to cancel the policy.

79. In our view, requiring providers to send customers a personal PPI quote would provide the customer with a fuller set of comparative information in a standardized format than simply disclosing the above key messages. The personal PPI quote has been developed in the light of consumer testing[15] and the content was generally well received by participants in the GfK customer research (see section 3.4.5 of the GfK report). For these reasons, we thought that, for those customers who sought to use this information to search the market after taking out PPI, the provision of a personal PPI quote would be more effective in facilitating search than simply providing

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[14]See Retail PPI Qualitative Research Findings, section 3.3.1.
[15]Insight Research PPI forms consumer testing (April 2009).

customers with the key messages in paragraph 78. We therefore concluded that customers should be provided with a personal PPI quote in a standardized format, as set out in Appendix D.

80. We also considered what restrictions, if any, we should place on the way in which the personal PPI quote was provided to customers during the cooling-off period. We considered first whether to require that the quote be sent as a separate mailing or to allow the quote to be provided to customers with other sales documentation, which the customer would normally receive during this period. We thought that providing the quote with the sales documentation was a pragmatic approach, which we expected providers to adopt if permitted, and was likely to ensure that customers received the quote relatively promptly after the PPI sale. We had no reason to believe that sending the quote along with sales documentation, rather than as a separate mailing, would reduce the likelihood of the quote being read by customers. Parties also told us that the cost of providing a personal PPI quote would be significantly lower if the personal PPI quote was provided to customers with sales documentation than as a separate mailing. SDGFS told us that providing the personal PPI quote electronically, where possible, would reduce costs further. We thought that, where customers manage their retail PPI accounts electronically, it would be appropriate to provide the personal PPI quote through electronic means.

81. We concluded that retail PPI providers should be allowed to send the personal PPI quote with other sales documentation and, where appropriate, deliver the personal PPI quote to consumers electronically. We also concluded that, taking into account this flexibility in implementation, the costs associated with sending a personal PPI quote were justified by the contribution this measure makes to addressing the AEC.

82. We accepted the parties' submissions that the precise format of the personal PPI quote should be amended to reflect the fact that we are not introducing a POSP for retail PPI. These changes are incorporated into the proposed template for the personal PPI quote at Appendix D. We did not agree that including a combined APR in the quote would be misleading. We considered this issue in paragraphs 10.173 to 10.176 of the 2009 report, where we concluded that a combined APR provided consumers with useful information and was an effective tool for comparison. Further, this way of presenting the combined cost of credit with PPI was also well received by participants in our consumer testing.[16] Nor did we agree that a combined APR was an inappropriate measure of the combined cost of credit with PPI, simply because the credit in question was 'interest free' and therefore had a 0 per cent APR. We would not expect parties to include information on the personal PPI quote that they do not possess at the time of issuing the quote (this might, for example, sometimes include information about a customer's age and/or employment status). Finally, we do not consider that using the phrase 'cheaper or more appropriate cover may be available from other providers' can be construed as meaning that the sale was on an advised basis, and note that the FSA has not expressed any concerns about this disclosure.

Provisional decision on implementation of this measure

83. We provisionally decided that retail PPI providers should provide a personal PPI quote during the cooling-off period. This should use the template at Appendix D. Retail PPI providers will be permitted to provide the personal PPI quote with policy documentation to those customers that have taken out PPI, and we expect that retail PPI providers will do so. The personal PPI quote may be provided, where this is appropriate, by electronic means.

[16] Insight Research PPI forms consumer testing (April 2009), p22.

Obligations to provide annual reviews[17] and annual reminders

84. The obligation to provide an annual review in the original remedy package was summarized in paragraph 10.302 and Figure 10.7 of the 2009 report, reproduced below.

FIGURE 4

Specification of annual review in the 2009 report

All PPI providers will provide an annual review to all their PPI consumers (detailed in Appendix 10.2 of the 2009 report).*
Provision of this annual review will be the responsibility of the company which sold the PPI policy to the consumer (ie the distributor or the stand-alone provider), other than for sales made by intermediaries where provision of this statement will be the responsibility of the underwriter (or distributor or stand-alone provider) with which the consumer has an ongoing relationship.
The annual review must be provided separately to any information on a credit product held by the consumer but might be included with other information relating to the PPI policy.
*PPI consumers in this context do not include those PPI consumers who have not paid any PPI premium on that policy in the previous year.

85. In paragraph 10.302 of the 2009 report, we explained that the annual review should include information similar to that provided in a personal PPI quote as well as information about consumers' rights to cancel the policy. Paragraph 10.303 of the 2009 report explained that by raising consumer awareness of their ability to switch PPI provider, this element of the remedy package would encourage consumers periodically to consider whether their PPI policy still represented the best-value option for them. The specification of the annual review was designed to complement the requirements to provide a personal PPI quote, to provide pricing information in

[17]In the 2009 report, we referred to this element of the remedy package as an annual statement. Following consumer testing in April 2009, we decided that this document should be referred to as an 'annual review' as consumers felt that this more accurately described its purpose.

marketing materials and to provide information to CFEB for publication on its website. This would help those consumers who are prompted by receiving the annual review to consider alternatives to their current PPI policy to make comparisons with other products.

86. In the 2010 Retail Remedies Notice, we also consulted on an alternative measure, to send some or all customers an annual reminder of their cancellation rights and of key messages (see Figure 5). This would contain some of the generic elements of the annual review but would not include any specific information about the PPI policy or customers' use of that policy. We also consulted on whether the obligation to provide the annual review should be targeted at consumers who have paid retail PPI premiums over the past year above a certain threshold, on the basis that these customers are most likely to perceive benefits from searching and switching than other customers, while lower-spending consumers should receive the annual reminder.

FIGURE 5

Specification of annual reminder in 2010 Retail Remedies Notice

Retail PPI providers should be required to remind, on an annual basis, those customers who do not receive an annual review of their cancellation rights and of the key messages that PPI is optional and available from other providers, and that information is available on the CFEB's moneymadeclear website.

87. The aim of this measure is similar to that of the annual review, ie to encourage consumers periodically to consider whether their retail PPI product is right for them and to consider searching the market for alternatives.

Responses to the 2010 Retail Remedies Notice

88. Responses to the consultation were as follows:

(a) SDGFS noted that the CC had concluded that some consumers with higher balances might search around, but the GfK research showed that these customers would only do this if 50 per cent plus savings could be obtained. SDGFS also noted that the Provisional Decision on the Remittal did not provide evidence that such a saving would be offered by any stand-alone PPI or short-term IP provider and the savings possible would not be enough for customers that might consider searching for alternatives. SDGFS said that an annual review was not necessary because customers could cancel their PPI policies at any time without penalty, and monthly statements showed customers the cost paid for PPI each month as a separate line. Customers were therefore getting a more frequent reminder of the cost of their policy and one which met their monthly budgeting needs so it was unnecessary to send an annual statement that aggregated the monthly information already sent. SDGFS said that it would serve no purpose to provide an annual review even on a targeted basis to larger PPI consumers. It would be complex, costly and provide only a limited benefit for a small minority of customers that may switch. SDGFS also said that it would be confusing for customers with a balance over a threshold that received the information one year but not the following year if their balance reduced. SDGFS said that it believed customers would gain a greater benefit, in terms of allowing them to search and switch, by the provision of an annual reminder of the terms of their policy rather than an annual statement of the amounts paid, and suggested that the annual reminder could contain: a reminder that customers can cancel at any time; a direction to the CFEB website; and a reminder that SDGFS sold another PPI policy. It said that it believed such an annual reminder would no doubt assist in the development of a dynamic market by encouraging those customers that wished to search to reconsider their options and look for alternative policies. SDGFS suggested that an annual reminder should be sent with the monthly

statement sent out after the anniversary of taking out the policy. It said that this would ensure that customers saw the information and keep costs low.

(b) JD Williams said that the Annual Review was likely to be expensive to implement, unnecessary and ineffective. Customers might regard it as junk mail. It said that retail PPI providers already provided details of PPI charges on monthly statements and customers were free to terminate the policy at any time without penalty. JD Williams said that the GfK research showed that the majority of retail PPI customers took a monthly view of their finances and an annual review would bring no real benefit to their financial decisions. It also said that customers might be confused by the information, might not realize that PPI premiums were payable only when the customer had a balance and might cancel their PPI, so if the CC still considered that an annual review was necessary it should be targeted to customers with balances on which PPI was payable at the time of the annual review. It believed the annual reminder was proportionate and would be effective. It suggested that a reminder notifying customers of their right to cancel should be sent with the first statement after the policy anniversary. It said that the information should include the statutory information required by the CC, remind the customer that the policy was optional and that they had a right to cancel without penalties and contain details on where to find information on alternatives. JD Williams believed that costs would be moderate and proportionate to the AEC.

(c) Express Gifts said that the costs of the annual review would outweigh the benefits for all except a small percentage of customers and that customers took a monthly view of their finances. Providing the information would cause confusion and would not be an effective remedy. It suggested that premiums might have to increase to offset the cost increase caused by the remedy. It said that it would have no objection to providing customers with a reminder of their cancellation rights on an annual basis. It said that the reminders should be sent with the

regular statements that the customer received. It suggested that if this reminder was sent to all customers, there would be no need to send the annual review.

(d) FGH said that customers were already given sufficient information each month to enable them to decide whether to keep their PPI policy or cancel as required. PPI was itemized as a separate charge on the monthly statement of account. It said that if a customer decided to cancel PPI in reaction to the annual statement, it might not be able to reinstate the cover.[18] It said that it was not appropriate to discriminate between customers on the basis of their PPI spend and some customers could fluctuate on either side of an arbitrary threshold so that one year they received the annual statement and the next they did not. (However, it also said that customers would not remember whether they received a statement the previous year.) It also said that the costs of the remedy (set-up and annual costs) would be substantial. It suggested some changes to the information in the annual statement if the CC considered it necessary to retain it. FGH did not object to the annual reminder but questioned its relevance given that customers could cancel at any time. It also believed that the monthly statement cycle would be the best way to send the reminder and said that some system development work would be required.

(e) The OFT supported the annual review and said that it had the potential to encourage customers to switch PPI providers or cancel existing policies when they saw the amount they were paying annually. It said that if annual reviews were only sent to PPI customers paying above a certain threshold, the threshold set should take account of the capacity that even a low annual figure may have to stimulate poorer customers who were paying relatively small amounts monthly and the annual review should contain key messages to remind customers to shop around for better-value alternatives and other switching or cancellation messages. The

[18]FGH said that it had implemented processes to ensure that customers who sought to cancel were recontacted prior to final cancellation to explain that the PPI could not be reinstated.

OFT questioned whether, on its own, the annual reminder would offer a sufficiently effective intervention, and said that the lack of annual reviews was likely to be a barrier to retail PPI customers switching.

(f) Citizens Advice said that the annual review may produce some consumer benefits.

Parties' views about costs and impact of alternative specifications of the remedy

89. We explored with the two largest providers how the costs and likely impact of the remedy were affected by alternative specifications of the remedy. Our analysis of costs is detailed in Appendix B. The key points are as follows:

(a) The annual review is the more costly of the two measures in terms of ongoing costs. This is unsurprising, given that the annual review involves the disclosure of more information and includes product and customer-specific information.

(b) Significant reductions in the ongoing cost of the annual review measure could be achieved by sending an annual review only to customers who meet a certain specification. Taking both SDGFS and JD Williams together, requiring an annual review to be sent only to customers who had spent £50 on retail PPI in the past year (around one-third of active customers) would reduce ongoing costs by around two-thirds compared with sending the annual review to all customers. If the annual review were sent only to customers who had spent £100 on retail PPI in the past year (around one-fifth of active customers), this would reduce ongoing costs by around four-fifths.

(c) Allowing providers to deliver these messages to consumers electronically, where this is requested by customers, would enable further reductions in ongoing costs.

(d) In general, the cost of including information with credit statements is lower than sending annual reviews or annual reminders as single-item (or 'solus') mailings. For example, for JD Williams, the additional costs associated with a single-item mailing compared with a statement insert were in the region of 25 to 30 per cent,

on the assumption that the annual review was sent only to higher-spending customers of retail PPI. However, SDGFS told us that there were also opportunity costs and practical difficulties associated with including annual reviews as inserts with credit statements because its operating systems did not allow it to match up a personalized insert with a customer's monthly statement.

90. We asked SDGFS and JD Williams to provide a breakdown of the number of customers and the value of those customers in terms of PPI expenditure. This data is presented in Figure 6 and shows that while there are a large number of customers that buy only small amounts of PPI, there is a significant tail of customers, so that 20 per cent of active customers pay around two-thirds per cent of total premiums and 10 per cent of active customers pay around half of total premiums. FGH provided information that also showed that while there are a large number of customers that spend small amounts on PPI, there is a significant tail of higher-spending customers accounting for a substantial proportion of total premiums paid.[19]

FIGURE 6

SDGFS and JD Williams customers: volume and value of customers by annual PPI spend

[✄]

Source: CC analysis of parties' submissions.

91. We asked SDGFS and JD Williams for evidence relating to the effectiveness of statement inserts and single-item (solus) mailings. SDGFS said that open rates (ie the proportion of correspondence that is opened by customers) were significantly lower for direct mail than for statements, and presented customer research that

[19]In this case, [✄] per cent of customers pay [✄] of total premiums and [✄] per cent of customers pay [✄] of total premiums. FGH told us that the information that it had submitted to us was a snapshot of one month's activity and that customer balances fluctuated over time to coincide with spending activity. We acknowledge these caveats but nonetheless consider that the information provided to us by FGH gives a reasonable indication of the distribution of premiums across the customer base.

supported this view.[20] However, it also noted that conversion rates for single-item mailings were generally higher, because selling by direct mail allows for more flexibility and it was possible to provide more product content in a single-item mailing compared with a statement insert. JD Williams showed us some analysis which it said showed that it generally got higher response rates to marketing leaflets included with monthly statements than those sent single-item mailings (although the marketing material sent was different in the two cases), and that regular users were more likely to respond to statement inserts than less frequent users.

Our views

92. We considered two main issues in relation to these measures:

(a) what information should be sent to which customers; and

(b) how that information should be delivered.

What information should be sent to which customers

93. We thought that the appropriate information to be sent to customers should vary according to the amount spent by that customer on retail PPI.

94. In relation to higher-spending retail PPI customers, we remain of the view as set out in paragraphs 10.302 and 10.303 of the 2009 report that an annual review would increase switching because it would increase transparency and help consumers compare PPI prices within the market. We note our conclusion in the Remittal Provisional Decision[21] that those customers who were more likely to search would be those whose retail PPI premiums were larger than average, and who held other PPI policies or short-term IP policies already. We also note that the GfK research found that retail PPI customers responded positively to the content of the annual review

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[20]SDGFS provided a slide from a 2009 customer research programme carried out by Illuminas for the SDG Home Shopping Business.
[21]Paragraph 9.19 of the Remittal Provisional Decision.

(section 3.4.5 of the GfK report), particularly the summary of the policy cover and the prompt to shop around, recognizing that they would appreciate a reminder of their policy as they currently had low engagement with it. We remain of the view that the annual review will increase consumers' awareness of PPI and the cost they are paying.

95. We note the parties' arguments in paragraph 88 that customers are told each month how much they have spent on PPI in the month and that customers can cancel their policy at any time without penalty. However, we remain of the view that providing information about a customer's retail PPI policy in a structured way in an annual review will give consumers an important prompt to consider whether their PPI policy meets their current needs, and the information needed to compare it with other PPI policies. This would add substantially to the impact of this measure, particularly in relation to higher-spending customers of retail PPI, compared with the much more limited details of monthly expenditure that customers currently receive.

96. The information provided by the parties suggests that it would be possible to target the annual review at customers with an annual spend on PPI of over £50 on retail PPI—this is the group we thought were most likely to search the market and consider switching—while still accessing those customers that spend the majority of the total expenditure on retail PPI. Targeting the annual review at customers with an annual spend on PPI of over £50 would mean that customers accounting for around three-quarters of retail PPI expenditure would benefit from this measure. The cost information supplied by SDGFS and JD Williams suggests that targeting the statement in this way would reduce the cost of the remedy by around two-thirds. We took the view that a threshold of £50 would strike an appropriate balance between avoiding unnecessary costs of sending annual reviews to those customers with little or no inter-

est in searching for a better offer and enabling those customers who could benefit from this remedy to do so.

97. We therefore decided that all customers who had spent more than £50 on retail PPI in the preceding 12 months should receive an annual review.[22] Our proposed template for the annual review is at Appendix D. As in the 2009 report, the annual review includes information about the retail PPI policy and the customer's use of it (including, for example, the amount spent on retail PPI in the past 12 months) alongside information about cancellation rights and how to make comparisons.

98. We then considered what information, if any, should be provided to those retail PPI customers who spend lower amounts on retail PPI. We thought, in light of the GfK research (see paragraph 13), that lower-spending retail PPI consumers were less likely to be prompted by an annual review to search for alternatives and that, consequentially, the additional costs of requiring an annual review to be sent to all active customers were unlikely to be justified. However, we also noted that the GfK research had shown customers to be positive about the provision of information about retail PPI on a periodic basis[23] and we thought that some lower-spending customers would respond to the prompt provided by an annual reminder to reconsider their current retail PPI policy. This would impose an additional constraint on retail PPI providers to that introduced by the other measures in the remedy package. We thought that this additional contribution towards addressing the AEC would be sufficient to justify the modest costs of sending an annual reminder to lower-spending retail PPI customers.

99. We therefore provisionally decided that retail PPI providers should be required to provide the following information to any customer who has an active balance on their

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[22]Paragraph 10.311 of the 2009 report sets out when the annual review should be sent.
[23]See paragraph 103.

retail credit account, on the date when they would otherwise be due to receive an annual review:

(a) that PPI is optional;

(b) that cheaper or more appropriate cover may be available from other providers;

(c) where to find more information about alternatives; and

(d) how to cancel the policy.

100. As all of this information is already included in the annual review, this measure only imposes an additional obligation in relation to those customers who have spent less than the threshold of £50 on retail PPI in the preceding 12 months.

How information should be delivered to customers

101. We considered whether we should relax the requirement in the 2009 report preventing the annual review from being sent to customers along with information about credit (see paragraph 10.311 of the 2009 report).

102. In the 2009 report we had been concerned that sending credit and PPI statements together would risk linking them in consumers' minds, which could discourage them from switching, undermining the effectiveness of this element of the remedy package. We remain of the view that this is an important consideration in favour of keeping this communication separate from information about the credit account.

103. The new evidence we received on the relative effectiveness of single-item mailings against statement inserts was mixed (see paragraph 91 above). On balance, the evidence we received from parties on this point indicates that customers are more likely to open a retail credit statement than other material from the retail credit provider. We also note the responses to the GfK customer research that showed that while participants were very positive towards the idea of information provision, a

couple of respondents noted that if this type of information were to be mailed out to customers, the envelope should be clearly distinguishable from usual catalogue 'junk mail' to ensure that customers opened and read the information enclosed (section 3.4.5 of the GfK report). We noted that retail PPI providers also see a use for single-item mailings in communicating more detailed information, and that this could sometimes generate a higher response rate. We decided that this new evidence did not indicate a clear advantage of either means of distribution in terms of their likelihood of generating a customer reaction.

104. We noted SDGFS's submission that it was unable to provide a personalized annual review as an insert to its credit statement. We thought that a purely generic document that did not include, for example, the amount spent on PPI in the past year would be of less value to customers than one which reflected their actual experience. We also thought that splitting the customer-specific information from generic information was likely to reduce the impact of the annual review. This suggested that, at least with its current arrangements, SDGFS would be unable to make use of the opportunity to send an annual review with information about the credit. We also noted the comments from SDGFS about the opportunity costs of sending the annual review as an insert in the consumer credit statement. We noted that, for JD Williams, the additional ongoing costs associated with a single-item mailing compared with a statement insert were in the region of 20 to 30 per cent.

105. On balance, we thought that this measure would be more effective if we retained our original requirement for the annual review to be sent separately from information about the credit. This was most likely to establish in the minds of those customers who spent significant amounts on retail PPI that the decision to continue taking retail PPI was an important decision in its own right. We also noted that SDGFS said that it might be able to reduce the annual costs of this and other informational measures if it

were able to use its secure ‘My Account’ facility to deliver messages to its consumers electronically. In paragraph 10.311 of the 2009 report, we concluded that the provision of the annual review by electronic means should be permitted where this is requested by a consumer. We concluded that this should remain part of the specification of the remedy.

106. For the reasons set out in paragraphs 101 to 105, we concluded that the additional costs of requiring annual reviews to be sent separately from information about credit were justifiable in terms of the impact on the effectiveness of this measure.

107. We were less concerned about separating the annual reminder from other messages from the retail PPI provider. Given the relatively limited impact that we expect this measure to have on the AEC, we thought that it was important to ensure that the costs of this measure were correspondingly modest. We also thought that it was more likely to be appropriate to incorporate a short set of key messages into existing communications with customers than it would be to send an annual review alongside credit information. We therefore concluded that there should be no restrictions on how the annual reminder should be provided to customers other than that it should be provided in a durable medium and should be sufficiently prominent that a consumer would reasonably be expected to take notice of it. We thought that allowing this additional flexibility would enable providers to find the most cost-effective means of delivering these messages to consumers without compromising the impact of this measure.

Provisional decision on implementation of these measures

108. We have provisionally decided that we should include the obligation to provide an annual review, as specified in the 2009 report, in the remedy package but that there should be no obligation to send an annual review to those customers who have spent

less than £50 in the period to which the annual review relates. The template to be used for the annual review is at Appendix D.

109. We have also provisionally decided that retail PPI providers should be required to provide an annual reminder of the information in paragraph 99 to any customer who has an active balance on their retail credit account, on the date when they would otherwise be due to receive an annual review.

Single-premium prohibition

110. This element of the remedy package was summarized in Figure 10.5 of the 2009 report, reproduced below.

FIGURE 5

Specification of this measure in the 2009 report

No PPI provider can charge for PPI on a single-premium basis. The only charge that can be levied on a PPI policy is a regular premium, paid monthly or annually by a consumer. If an annual premium is paid by a consumer, then a rebate must be paid to consumers on a pro-rata basis, if the consumer terminates the policy during the year. No separate charges for administration or for the set-up or early termination of a PPI policy shall be payable by the consumer.

111. Paragraph 10.245 of the 2009 report explained that this remedy would fully address the switching barrier caused by the terms on which single-premium policies were terminated and was the only option which would do so effectively. The element of the remedy package would also reduce barriers to search associated with complex pricing structures. It therefore complemented and enhanced the other elements of the remedy package aimed at facilitating consumer search, addressing the point-of-sale advantage and encouraging switching.

Responses to the 2010 Retail Remedies Notice

112. Responses to the consultation were as follows:

(a) The parties all noted that this element of the remedy package would not have any practical implications for retail PPI because retail PPI was not sold as a single-premium product. SDGFS, JD Williams, Express Gifts and FGH all said that they did not sell any single-premium retail PPI policies or levy any charges on consumers for administration costs, set-up or early termination of retail PPI policies.

(b) The OFT supported the remedy. Citizens Advice noted that there was some evidence on barriers to cancelling insurance which were usually administrative rather than charge based, but it said that it would welcome any intervention that made it easier for consumers to cancel.

Our views and our provisional decision on implementation of this measure

113. We note that none of the parties has expressed concern about this remedy because it does not have any immediate practical implications for their business.

114. We took the view that it would be appropriate to retain this remedy for retail PPI as a preventative measure—to prevent the emergence of cancellation fees or other forms of pricing complexity—and note that in practice its implementation would not impose any costs on retail PPI providers.

115. We have therefore provisionally decided to include this measure in the remedy package for retail PPI.

Options we are not proposing to take forward

116. There were a number of options set out in the 2010 Retail Remedies Notice or suggested to us by parties which we are not proposing to take forward. Our reasons are set out below.

The point-of-sale prohibition

117. In paragraph 10.36 of the 2009 report, we explained how this element of the original remedy package would directly address the AEC arising from the sale of PPI at the credit point of sale by distributors or intermediaries, and also address a number of barriers to search.

118. However, in the Remittal Provisional Decision we explained that the evidence from the GfK customer research (see paragraph 13) that many retail PPI customers would not in practice search for alternative policies, even if provided the opportunity to do so by the POSP, had caused us to reconsider our decisions on the appropriateness of the original remedy package, including the POSP, for retail PPI. The evidence indicated that customers whose retail PPI premiums were larger than average, or held other PPI policies or short-term IP policies already, were more likely to search than other customers. We provisionally concluded that we could not be sure that by imposing a POSP we would encourage sufficient customers to search to generate competition between providers. As a result of this new evidence, we could no longer be confident that our original remedy package would be substantially effective for retail PPI.

Parties' responses to the 2010 Retail Remedies Notice

119. The parties responded to the 2010 Retail Remedies Notice as follows:

(a) SDGFS said that the POSP (in combination with the personal PPI quote) would be disproportionate since it would not be effective in encouraging sufficient competition between providers to outweigh its costs, and there was no way of targeting the POSP at customers who may wish to switch.

(b) JD Williams was initially concerned that the POSP would force its business model to operate a four-stage sales process, and suggested that sending enhanced marketing information to customers prior to approaching customers to sell PPI

and again during the cooling-off period would be effective in addressing the point-of-sale advantage. It said that the POSP would unnecessarily add cost to the selling process without adding any appreciable benefit to the customer. Following further discussions with the CC about the application of the POSP to its business model, JD Williams modified its view and said that, subject to the detailed drafting of any Order implementing the remedy, it would not have any particular concerns about the implementation of the POSP. JD Williams also believed that the POSP would significantly enhance the effectiveness of the CFEB price comparison website.

(c) Express Gifts said that the new evidence showed that the POSP would not encourage sufficient customers to search to generate competition and the remedy would not be effective.

(d) FGH said that the POSP was a high-cost remedy that the CC's work had shown would be ineffective.

(e) The OFT said that a remedy package designed to stimulate competition was most likely to offer a durable solution, and that if the CC concluded that the POSP remedy could not be justified on effectiveness or proportionality grounds, the CC should consider whether to enhance information provisions to strengthen benefits to consumers at the point of sale. The OFT said that without a change in consumer behaviour, the remedies in the 2009 report for retail PPI might be ineffective, but some of the lower-cost remedies may be a first step in driving change in the competitive environment.

(f) The FSA said that it had no reason to believe that the problems associated with sales of other PPI products did not exist in retail PPI, but said that it was not possible to predict exactly how the market might develop with remedies designed to enhance competition. It also noted that there were other potential benefits from the POSP including allowing customers to decide whether they wanted PPI and

allowing them to decline it if they did not want it, therefore it may mean that customers did not buy products that they did not value or want.

(g) Citizens Advice broadly supported the view put forward in the 2010 Retail Remedies Notice that a POSP may not be an appropriate remedy for retail PPI.

120. In the 2009 report, SDGFS said that the POSP remedy (including the personal PPI quote) would cost it £[✂] a year, while JD Williams said that the ongoing costs to it would be £[✂] (mostly relating to providing a personal PPI quote to all potential customers) with upfront costs of £[✂].

Why we are not taking forward the remedy

121. In our Remittal Provisional Decision, we said that we could not be sure that by imposing a POSP in relation to retail PPI we would encourage sufficient customers to search to generate effective competition between providers. Based on the further submissions we have received from parties, combined with the GfK survey evidence, we remain of that view.

122. In the 2009 report (paragraphs 6.182 to 6.184), we found that there was a point-of-sale advantage for retail PPI but that it was likely to be weaker than for other forms of PPI for two reasons. First, retail PPI is a tertiary product, so its customers were less likely to believe that their ability to purchase goods on credit is dependent on them taking out PPI. Secondly, because retail PPI is advertised in the same catalogues as the goods being purchased and sold alongside other insurance products, its customers were more likely to be aware of PPI before the point of sale than with other PPI policies. These factors suggested that the need for a POSP to be included as part of any remedy package was lower for retail PPI than for other forms of PPI.

123. We further noted that this remedy was likely to add substantially to the costs of our package of remedies for retail PPI. While we thought that more customers might be prompted to search as a result of the POSP, in light of the GfK research we did not think that the increase in consumer search would be sufficient to justify the additional costs involved.

124. For the reasons set out in paragraphs 121 to 123, we have provisionally decided not to impose the POSP in relation to retail PPI.

Obligation to renew retail PPI policies annually on an opt-in basis

125. In our 2010 Retail Remedies Notice, we considered the option of requiring customers to opt in to a retail PPI policy every year, with their cover being discontinued if they did not do so. The rationale for the remedy was that it might increase the competitive pressure on distributors, by creating an annual break in retail PPI policies and giving customers better defined opportunities to switch.

Responses of the parties

126. The parties responded as follows:

(a) SDGFS said that there was a significant risk of leaving many customers un-insured as they might not open or properly understand any mailings regarding the opt-in. SDGFS would need to incur significant telephone costs to ensure that customers' policies did not lapse and remind customers to opt in if they wanted to renew. It said that the decision-maker contact rate, and the likelihood of speaking to customers, would be low so many customers would not be contacted and reminded to opt in if they wanted to renew. SDGFS said that many customers would be uninsured through no fault of their own and there was a risk of serious complaints where a customer, whose policy had lapsed without their consent, wished to make a claim. There might also be problems if policies were renewed

late and treated as new policies by insurers such that wait periods came into force again.

(b) JD Williams raised similar concerns to SDGFS. It considered that the option would be potentially disastrous for customers, with the opt-in leaving customers without cover, in some cases without customers realizing, and did not believe that the invitation to renew would encourage many customers to consider alternatives. It said that retail PPI customers received regular statements showing PPI premiums charged and could cancel their policy at any time. JD Williams also said that if a customer had developed a condition during the previous 12 months, this could be taken into consideration at renewal and result in the customer paying higher premiums. It said that the cost of the remedy could be at least as much as sending the annual review to all customers.

(c) Express Gifts was concerned about the risk of customers having their policies lapse inadvertently and felt that this would be in breach of Treating Customers Fairly regulations. It also said that premiums might have to increase because of the increased administration costs.

(d) FGH said that an annual renewal process would add expense unnecessarily. It said that other insurance policies frequently renewed automatically (for example, household and motor policies), unless the customer chose otherwise. Despite this, 'tacit-renewal' switching was still commonplace. FGH said that it was foreseeable that customers would forget to renew, or would cite letters lost in the post or otherwise not received as an argument for the reinstatement of lapsed policies.

(e) The OFT said that the opt-in should help to limit renewal to those customers who actually believed they required PPI. It would therefore create pressure on the existing distributor and provider to promote PPI products along with an opportunity for stand-alone PPI providers to propose an alternative. The OFT also said that the annual review was necessary to give customers a clear basis for comparing the existing policy with alternatives.

(f) The FSA said it believed the opt-in would encourage customers actively to consider the benefits and costs of their retail PPI policy annually and might address consumer inertia. It cited examples of insurance products where annual renewal was standard practice (albeit car and household insurance were renewable on an opt-out rather than an opt-in basis), which indicated that this was a workable remedy. It said that there were potential issues which should be considered, including consumers being left without cover if they unintentionally missed the renewal deadline. FSA rules required firms to contact consumers in good time if they wished to invite renewal of the policy. The FSA said that the benefits of an opt-in process in addressing customer inertia in this context must be balanced against the potential for customers inadvertently to become unprotected in cases where their intention was to renew. It was not immediately clear what the right balance was since inertia meant that some consumers who did not value the product and who would prefer not to incur the cost of having it continued to pay for the product.

(g) Citizens Advice supported the opt-in remedy. It said that consumers could be sold insurance without really understanding or even knowing what they had bought, and once purchased, insurance premiums could be charged to their account balances for extended periods. It suggested that the opt-in might provide a long-stop safeguard customer inertia meaning customers paid too much for unwanted insurance products.

127. The parties were not able to provide specific costing information for this remedy option. However, we thought that the associated costs would be significantly above the costs of sending an annual review to all active customers (see Appendix B) as, in addition to the costs associated with sending information on a periodic basis, retail PPI providers were likely to incur additional costs in seeking to contact those cus-

tomers who had not renewed within the agreed timescale and dealing with any customer complaints about inadvertent lapses in cover.

Our reasoning for not taking the remedy forward

128. We thought that this remedy might encourage some retail PPI customers to reconsider their PPI coverage when they were prompted to opt in and that some of these customers might then be prompted to switch to alternative providers.

129. However, we had concerns about the effectiveness of this remedy in generating competition, as set out in paragraphs 6.21 to 6.36 and Appendix B of our Remittal Provisional Decision. These concerns applied equally to retail PPI as to other forms of PPI. We also acknowledged the parties' submissions that there would be a risk of consumer detriment arising where customers inadvertently fail to renew their policy and subsequently finding that they are uninsured when a claimable event occurs.

130. Further, and even if we did not have concerns about the effectiveness of this remedy, the cost of implementation would be high as firms are likely to incur additional costs ensuring that customers that have not renewed have taken a positive decision not to do so. We have therefore decided not to impose this remedy in relation to retail PPI.

Price caps

131. In our 2010 Retail Remedies Notice, we discussed the option of imposing a price cap on retail PPI providers. We noted that PPI prices were higher than in a competitive market and there was a risk that the other remedies may not be substantially effective or act sufficiently quickly on their own in addressing the identified AEC and resulting detrimental effects. Therefore we explored whether a price cap could bring prices closer to competitive levels or do so more rapidly, directly reducing consumer detriment, while other measures took effect.

Responses of the parties

132. The parties responded as follows:

(a) SDGFS said that a price cap was not justified or necessary and would be disproportionate. SDGFS argued that there was a waterbed effect which would mean that a price cap would lead to the loss of relevant customer benefits (see paragraph 145).[24] It said that there would be significant difficulties with a price cap. First, individual caps would be required for each product. Second, individual caps would be required for each provider because the different business models of providers meant different costs. Third, price caps would distort competition. Fourth, the level of the cap would need to be constantly reviewed. Fifth, a price cap would not encourage customers to shop around. Sixth, it would impede the development of short-term IP policies aimed at retail PPI. SDGFS later told us that it would be prepared to offer an undertaking that, when it relaunched its unbundled PPI product (expected to be in August 2010), it would do so at a new, lower, price of £1.45 per £100 of balance covered (it had previously offered the product at £1.50 per £100 of balance covered). It told us that it would undertake to maintain this price reduction on the PPI product for a maximum of two years and would not seek to increase the price of the PPI product beyond retail prices index increases, or reduce the coverage provided by the product, unless there was a material change to its costs (including its underwriting costs) or an enforced material change to the content of the policy (by regulation, legislation or underwriting requirements).

(b) JD Williams said that price caps were unnecessary and would lead to significant loss of consumer benefit, particularly for poorer and older customers who might not be offered PPI as a result. It said that the price cap could not take into account all items which went into an underwriter's decision (the different policy

[24] SDGFS told us that a waterbed effect was more likely with a price cap than with competition-enhancing measures. This was because with competition-enhancing measures there would be a possibility that it could win as well as lose business as a result of the remedies, whereas with a price cap there would be an automatic negative impact on profitability of retail PPI, which it would seek to recover elsewhere.

terms, demographics, credit risk) and JD Williams did not believe that a price cap remedy would be effective or workable. It said that price caps would also stifle innovation and could lead to a 'plain vanilla' product and price harmonization.

(c) Express Gifts also said that price caps were a disproportionate remedy since the premiums paid by retail PPI customers were low. It believed that price caps would stifle innovation and products would become very similar. It said that it would also stifle entry.

(d) FGH believed that there was little justification for price capping since it said that PPI customers were not charged excessive amounts and there was less to be gained from customers searching. It said that Treating Customers Fairly rules meant that the remedy could not be directed to new customers only, and changing the price of existing customers could cause claims management companies to claim for perceived previous overcharging. It told us that there was a waterbed effect and that the price of credit might increase or other features such as deferred credit might be withdrawn. It said that a price cap would stifle innovation and policies might move towards the lowest common denominator with some firms raising prices to a ceiling and others providing less cover to meet the required price. It said that the market would be unattractive to new entrants and this would create another AEC.

(e) The OFT thought price caps would be unlikely to contribute to a lasting solution through increased competition or to make the market work better.

(f) The FSA was also concerned that the price cap did not directly address the specific competition concerns identified by the CC, and was unlikely to result in dynamic benefits to consumers. However, it said that, given the lack of customer search, price caps might provide the only sure way of reducing prices.

(g) Citizens Advice strongly supported price caps and said that only a remedy that directly addressed the consumer detriment was likely to be effective. It did not believe that disclosure remedies would be effective without additional supporting

remedies and preferred the remedy to the POSP. It said that an intervention into pricing should try to improve the transparency of price in relation to benefits received. It also considered that a price cap should be applied to the product bundle.

Our reasoning for not taking the remedy forward

133. In the 2009 report, we rejected price caps on the basis that we considered our remedy package would be substantially effective in addressing the AEC in a timely manner (see paragraph 10.373 of the 2009 report). This remains our view in relation to the other PPI markets. In relation to retail PPI, however, as set out in paragraph 151, we expect the proposed remedy package to mitigate the AEC, because it addresses some but not all aspects of the AEC. We therefore considered carefully whether a price cap directly to address the consumer detriment associated with high retail PPI prices would be an appropriate measure, either on a temporary or a permanent basis.

134. In our view, some of the more generic arguments advanced by the parties against imposing a price cap (such as the impact of a price cap on innovation) were not strong. There has been little evidence of product innovation since 2002 (see paragraphs 6.81 to 6.89 of the 2009 report). Prices have been stable over a similar period. There did not appear to be any evidence of different demographics being taken into account in setting the PPI price for individual customers.

135. We did not think that the development of a stand-alone market would be materially affected by the presence or otherwise of a price cap in retail PPI. This is because we expect the development of stand-alone products to be driven by the opportunity to acquire customers who would normally pay higher monthly PPI premiums in the larger PPI sectors—such as PLPPI, MPPI, SMPPI and CCPPI customers—rather

than by focusing on trying to acquire retail PPI customers who typically require lower levels of insurance and pay small monthly premiums in relation to other PPI products. Moreover, evidence in the Remittal Provisional Decision suggests that potential new entrants are also looking to cover non-credit-related outgoings with the same products, developing these products as short-term IP products. We saw no prospect of these plans being materially affected by a price cap being imposed on retail PPI products.

136. However, we identified some significant practical obstacles to developing an effective price cap in relation to retail PPI.

137. First, as merchandise cover is outside our terms of reference, we thought that any cap would have to apply to the unbundled product that we are requiring providers to offer (see paragraph 38), rather than to the bundled products currently on the market. While we have some indication from parties of the proportion of GWP accounted for by merchandise cover (see paragraph 6.16 of the 2009 report), we thought that it would be especially challenging to set an appropriate price cap for a product that either does not exist or, in the case of SDGFS, has only been recently introduced.

138. Secondly, we agreed with the parties that the differences in business models between retail PPI providers would make it difficult to apply a market-wide price cap. For example, the proportion of GWP accounted for by merchandise cover differs substantially across providers (see paragraph 6.16 of the 2009 report). This would suggest that different caps would be necessary for the unbundled product. We also thought that the variations in scale across retail PPI providers—in terms both of the total GWP and GWP per active customer (see paragraph 6.8 of the 2009 report)—were likely to mean that any market-wide cap could have substantially different impacts on the viability of different providers' retail PPI businesses. This could result

either in the price cap being ineffective (if we set it at a level which allowed the less profitable providers to earn normal returns) or, if we set it at a level which reduced the more profitable providers' profitability levels to normal returns, could result in some providers being unable to operate profitably and could therefore distort the market. In principle, we could regulate profits rather than the PPI price; however, we consider that the cost and degree of scrutiny necessary for rate of return regulation was likely to be disproportionate in relation to the likely benefits.

139. We also considered whether we should cap the price of SDGFS and not other PPI providers, particularly in light of the offer from SDGFS to undertake to cap the price of its unbundled product. However, we were concerned with the monitoring cost and proportionality of imposing a price cap on just one provider, particularly where we had not found material differences in competitive conditions facing the various providers in retail PPI markets.

140. For the reasons set out in paragraphs 133 to 139, we have decided not to impose a price cap.

Relevant customer benefits

141. In deciding the question of remedies, the CC may 'in particular have regard to the effect of any action on any relevant customer benefits of the feature or features of the market concerned'.[25] Relevant customer benefits are limited to benefits to relevant customers in the form of:

'(i) lower prices, higher quality or greater choice of goods or services in any market in the United Kingdom (whether or not the market to which the feature or features concerned relate); or

[25]Enterprise Act 2002, section 134(7).

(ii) greater innovation in relation to such goods or services'.[26]

142. A benefit is only a relevant customer benefit if the CC believes that:

'(i) the benefit has accrued as a result (whether wholly or partly) of the feature or features concerned or may be expected to accrue within a reasonable period as a result (whether wholly or partly) of that feature or those features; and

(ii) the benefit was, or is, unlikely to accrue without the feature or features concerned'.[27]

143. If the CC is satisfied that there are relevant customer benefits deriving from a market feature, the CC will consider whether to modify the remedy that it might otherwise have imposed or recommended. When deciding whether to modify a remedy, the CC will consider a number of factors including the size and nature of the expected benefit and how long the benefit is to be sustained (*CC3*, paragraph 4.39).

144. We considered whether there are any relevant customer benefits which we should have regard to in deciding on our remedy package for the retail PPI market.

145. In response to the Remittal Provisional Decision, SDGFS submitted analysis by the economic consultancy Oxera, including internal documents, which it said demonstrated the existence of a waterbed effect[28] in relation to the price of retail PPI and the price of goods and credit. SDGFS submitted that this was a relevant customer benefit that would be lost if the CC were to impose a price cap. Another retail credit provider (FGH) submitted that there was a waterbed effect, but did not produce further evidence or analysis to support this view.

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[26] Enterprise Act 2002, section 134(8).
[27] Enterprise Act 2002, section 134(8).
[28] A waterbed effect, if it existed, would mean that high retail PPI prices result in lower prices for goods or credit than would otherwise be the case.

146. We considered these further submissions carefully. While we acknowledged, in principle, that a waterbed effect might exist in relation to retail PPI, the further analysis and internal documents submitted by SDGFS did not persuade us that such an effect existed in this market, or if it did, that it was material. In particular, the evidence submitted did not establish any direct link between the price of PPI and the price of the other products offered by SDGFS. At most, the evidence from SDGFS suggested to us that SDGFS looked at the profitability of its business 'in the round', and that if income from PPI were to fall for any reason, it might seek to recover profits from elsewhere.[29] In our view, this fell some way short of establishing that lower credit prices satisfied the requirements of a 'relevant customer benefit' as set out in the Act.[30]

147. We therefore provisionally concluded that no relevant customer benefits existed in the market for retail PPI to which we should have regard in deciding on our remedy package for that market.

Implementation of remedies

148. We have provisionally decided that the remedies be implemented by Order and that all elements of the remedy package should come into force within 12 months of the implementing Order, with the exception of the provision of information to third parties and the provision of information in marketing material, which should come into force within six months of the implementing Order (see Appendix E). We propose to make one recommendation to CFEB, that it use the information provided to it to populate its PPI price comparison tables. CFEB told us that it did not object to this proposal and that it would need to undertake some work with providers and others to explore the

[29]The Oxera report came to the similar conclusion: 'All these documents are consistent with an overall finding that retail PPI is not considered in isolation from other products offered by SDG, and hence it would be expected that any excess profits would not be ring-fenced and could have a bearing on Group-level commercial decisions regarding other parts of SDG'.
[30]We also noted SDGFS's submissions that a waterbed effect was most likely to materialize if we were to require a price cap, which is not one of the remedies that we propose to take forward.

feasibility of this recommendation. It told us that it would also want to undertake some form of cost-benefit analysis. The CC will provide CFEB with the necessary assistance to help it carry out this further work.

149. We have provisionally concluded that the monitoring and enforcement regime set out in paragraph 10.566 of the 2009 report and in Appendix E should also apply to retail PPI, apart from those reporting requirements which relate specifically to the POSP.[31]

The effectiveness and proportionality of our proposed remedy package

150. The provisional decisions set out above give rise to a package of seven remedies:

(a) an obligation to offer PPI separately from merchandise cover if both are offered as a bundled product (unbundling retail PPI from merchandise cover) (paragraphs 27 to 38);

(b) an obligation to provide information about the cost of PPI and 'key messages' in marketing materials (information provision in marketing materials) (paragraphs 39 to 60);

(c) an obligation to provide information to CFEB for publication and to provide information about claims ratios to any party on request (provision of information to third parties—paragraphs 61 to 71);

(d) a recommendation to CFEB that it uses the information provided to it under the above obligation to populate its PPI price comparisons table (recommendation to CFEB);

(e) an obligation to provide a personal PPI quote to customers before the end of the cooling-off period (personal PPI quote—paragraphs 72 to 83);

(f) an obligation to provide customers who have spent more than £50 on retail PPI premiums in the preceding 12 months with a written annual review of PPI costs

[31]All retail PPI providers will be required to appoint a compliance officer. The OFT will have the ability to obtain from any relevant person, from time to time, any information and documents reasonably required for the purposes of enabling the OFT to monitor and review the operation of the remedies Order or any provision of the Order. There are additional compliance reporting requirements in relation to those retail PPI providers with GWP above £10 million.

including a reminder of the customer's right to cancel (annual review—paragraphs 84 to 109);

(g) an obligation to remind all active customers of their cancellation rights and of key messages on an annual basis (annual reminder—paragraphs 84 to 109); and

(h) a prohibition on selling of single-premium PPI policies and on charges which have a similar economic effect (single-premium prohibition—paragraphs 110 to 115).

How the proposed remedy package addresses the AEC

151. We expect that these remedies will mitigate the AEC and the resulting consumer detriment that we have identified in the following ways.

152. We expect the informational remedies in paragraph 150(*a*) to (*e*) to encourage some retail PPI customers to search by removing some of the barriers to searching that we identified in our 2009 report, including the bundling of retail PPI and merchandise cover. These measures will increase consumers' awareness of the existence of alternatives and will improve the transparency and comparability of price information, offering consumers a clearer understanding of the cost of retail PPI and hence the potential benefits to searching.

153. We acknowledge that the increase in customer search may be limited, in particular by the fact that, for many retail PPI customers, the typical monthly premium is low, and by the absence of a measure that directly addresses the point-of-sale advantage from this package. However, we expect an increase in the level of searching to contribute to the development of greater price competition among retail PPI providers and to provide some additional opportunities for stand-alone providers to compete for retail PPI customers.

154. The obligations to provide annual reviews and annual reminders (paragraph 150(*f)* and (*g)*) to existing customers will also increase competitive pressure on retail PPI providers, particularly in relation to the retention of the higher-spending customers of retail PPI, who we would expect to have the greatest financial motivation to search and switch. The prohibition on single premiums and other pricing structures with similar economic effects in paragraph 150(*h)* will ensure that the improvements in transparency that we expect our remedy package to deliver will not be eroded by changes to future pricing structures.

155. Our proposed remedies will interact positively with one another to enhance the over-all effectiveness of the remedy package. Each element of the package contributes to addressing the AEC, and when they are combined they will have a greater effect in increasing competition than if they were implemented individually.

156. The remedies that we are proposing for retail PPI also interact positively with the remedies that we are proposing for other types of PPI. We expect that one effect of our remedies across all PPI markets will be to increase substantially the competitive constraint posed by stand-alone PPI in relation to all types of PPI, including retail PPI. The specific measures that we are proposing to put in place in relation to retail PPI will enable retail credit customers to benefit from this increased constraint and the greater number of alternatives that we expect will be available to them. In paragraph 9.20 of the Remittal Provisional Decision, we noted that retail PPI customers had on average relationships with four financial institutions, and we expect that the measures we are adopting in retail PPI, together with the measures in other markets, mean that competition for retail PPI customers should increase.

157. While recognizing differences between products, where relevant, we have taken a broadly similar approach to the informational remedies that we are putting in place for

retail PPI as for other forms of PPI. This will maximize the scope for comparability, which will enhance the competitive impact of the remedy package.

158. We consider that this combination of measures, by opening up the market to competition and directly addressing search and switching costs, will mitigate the AEC that we have provisionally found and as a result will also reduce the consumer detriment that flows from the AEC.

159. We expect this remedy package, when combined with the introduction of remedies to other PPI markets, to produce appreciable beneficial effects to consumers over a timescale of two to three years from the remedies coming into force (see Appendix F for further discussion of this issue).

The cost of the remedy package

160. The cost estimates from SDGFS and JD Williams for the remedies in the form we have decided to proceed with are summarized in Appendix B. Based on these figures, we estimate that the annual cost to these parties of complying with the remedy package could be the region of £0.8 million a year, with a one-off implementation cost in the region of £1.0 million.

Evaluation of proportionality

161. We have concluded that the package of remedies proposed in this document will mitigate the AEC and would produce beneficial effects within a timescale of around two to three years of coming into force (see paragraph 159).

162. We now consider whether this package would be a proportionate response to the problems that we have identified, by considering the following four key questions:

(a) Is the remedy package effective in achieving its aim?

(b) Is the remedy package no more onerous than necessary to achieve its aim?

(c) Is the remedy package the least onerous if there is a choice?

(d) Does the remedy package produce adverse effects which are disproportionate to the aim?

Effective in achieving its aim

163. We have provisionally concluded that the remedy package will mitigate the AEC by addressing some of the barriers to search and reminding existing customers of the opportunities to switch (see paragraphs 151 to 159).

164. We considered a range of alternative remedies (see paragraphs 116 to 140) and found that it was not possible to identify a more comprehensive solution to the AEC that was both reasonable and practicable.

No more onerous than necessary

165. We have designed the remedy package to be no more onerous than necessary.

166. This consideration has informed provisional decisions about the choice of remedies —in particular, the exclusion from the remedy package of those measures, including the POSP, which we did not consider would make a sufficient contribution to addressing the AEC to justify the costs of implementation and compliance which they would involve.

167. It has also informed our consideration of the design of individual remedies—for example, our decision to require annual reviews to be sent only to those retail PPI customers who have spent more than £50 in retail PPI premiums over the past year.

168. We concluded that each of the remedies we have decided to include in our remedy package makes a significant contribution to addressing the AEC without being more onerous than is necessary to achieve that aim, and the elements of the remedy package interact with each other to enhance the overall effectiveness of the package.

Least onerous if there is a choice

169. We considered other remedy options, as set out in paragraphs 116 to 140. Each of these was either less effective than the remedy package that we are taking forward, was more onerous, or both. In the case of remedies (or alternative specifications of remedies) that were less onerous than the remedies that we were taking forward, we found that these would make the remedy package less effective and that the additional costs involved by taking our preferred approach were justified by the impact on the effectiveness of the package.

Does not impose costs which are disproportionate to expected benefits

170. Based on the evidence from providers, we expect the package to give rise to implementation costs in the region of £1.0 million and ongoing costs of around £0.8 million a year (see paragraph 160).

171. We have estimated the static consumer detriment arising from the AEC over the past five years to have been £13.5 million a year (see paragraph 9.117 of the Remittal Provisional Decision). This figure was somewhat lower in 2008 and 2009 than in previous years, though we found it difficult to establish whether this recent reduction, which appeared to be driven primarily by falling GWP rather than lower prices, was likely to continue into the future. We noted the submissions by SDGFS and FGH (see paragraph 145) that there were waterbed effects, such that customers were benefiting from lower prices for credit and/or goods as a result of the AEC, but we did not find strong evidence that such effects were material or would be lost as a result of

our remedies. We concluded that £13.5 million was a reasonable estimate of the static consumer detriment that could be avoided each year by the introduction of a substantially effective remedy package.

172. In addition, we considered that there would be other dynamic benefits to consumers that we would expect to arise from increased competition in the provision of retail PPI beyond those reflected in the calculation of static consumer detriment. For example, we might expect some customers to benefit from switching to alternative forms of PPI and for increased competitive pressure to drive retail PPI providers to develop their products to respond to customer demand.

173. As we thought that our remedy package would mitigate the AEC and resulting consumer detriment, we explored the level of benefits it would need to generate annually in order to justify the costs. It was not possible precisely to quantify the benefits that we expected to result from the remedy package. However, we decided that it was reasonable to expect that the remedy package, in conjunction with the introduction of remedies in other PPI markets, would generate annual consumer benefits equivalent to at least 20 per cent of the static consumer detriment that we had identified in retail PPI, within a period of two to three years of coming into force. In forming this view, we took into account the following factors:

(a) the analysis in paragraphs 151 to 159 about how the remedy package addresses the AEC and resulting consumer detriment;

(b) the analysis in paragraphs 90 and 96 and in Figure 6 indicating that around three-quarters of retail PPI premiums each year are accounted for by customers who spend more than £50 a year on retail PPI and who we consider are most likely to respond to our remedies by searching and switching;

(c) our assessment in paragraph 172 that the remedy package is likely to generate dynamic benefits in addition to the static benefits associated with lower retail PPI prices; and

(d) our assessment in paragraph 159 and Appendix F of the timescale over which we expect our remedies to take effect.

174. To inform our judgement, we calculated an illustrative scenario of the potential net benefits of our remedies on the assumption that the remedies would generate annual consumer benefits equivalent to 20 per cent of the static consumer detriment within three years of the remedies coming into force and that the remedy package would result in one-third of this level of benefit in the first year of operation and two-thirds in the second year. Table 1 shows the one-off costs and the net consumer benefits—after taking account of ongoing costs—based on these assumptions.

TABLE 1 **Illustrative scenario of costs and net benefits of remedies**

£ million

	One-off costs	*Year 1 net benefits*	*Year 2 net benefits*	*Year 3 net benefits*
Retail PPI	–1.0	0.1	1.0	1.9

Source: CC analysis based on information provided by parties.

175. Based on this analysis, our evaluation of the likely impact of the remedies and the evidence that we have collected from the parties, we concluded that the benefits of introducing this remedy package were likely to outweigh the relevant costs within a period of around three years.

Conclusion on proportionality of remedy package

176. Based on the above evaluation, we have provisionally concluded that the remedies as set out in this provisional decision represent a proportionate solution.

Provisional decision on remedies

177. We have provisionally decided to implement the package of measures set out in this document. In our judgement, this package represents as comprehensive a solution as is reasonable and practicable to the AEC that we have identified and the resultant consumer detriment.