49) PPIs - The latest in a series of articles by Iain Gregory of Caithness CAB

A few years ago Liz and I were in the States and headed up to Rhode Island for a long weekend on a campsite. This involved her brother Martin and I loading his vast Chevy pickup with countless cool boxes containing food (and the odd can of Budweiser) along with lots of firewood for the campfire, hitching up an equally vast camping trailer and heading off along the freeway followed by Liz and Kathy doing a Thelma and Louise in Kathy's Pontiac coupe. Apart from an admonitory finger wag from a State Trooper (due to Martin utilising the 5.7 litre V8 a bit too enthusiastically), all went well and Liz and I put up our tent amongst the pines. On the second night there was a terrible storm and it occurred to me that a tent in the woods was not perhaps an ideal place to be, but decided I could do nothing about it and went back to sleep. In the early hours there was a huge gust and a nearby tree crashed to the ground, blocking the access road. A swift call to the site office and two maintenance guys appeared with a chain saw. Liz and Martin stood there watching every move and Kathy commented "Yep. Like a couple of vultures waiting for the roadkill to die" – and indeed they were. In due course they liberated enough firewood for a month and both were as happy as if they had just won the state lottery.

Luckily the tree fell the right way and nobody was flattened, but we all need to make sure we are well insured against possible disasters. And the major banks, credit card providers and many lenders were very keen indeed, until they got caught out, to flog us what is now generically known as "PPI" or "Payment Protection Insurance" (many different descriptions were used by the way, so check your records). The profits for the lenders were vast. So vast that there is no doubt that the unfortunate frontline bank staff were, in many cases, put under severe pressure to make sure that they sold it to unwitting customers. The basic idea was actually not really a problem – if a customer was borrowing money, either via a bank loan, a mortgage or a credit card, or purchasing something on HP, it was possible to take out a policy of insurance designed to cover the repayments if something untoward prevented the borrower from servicing the debt – for example being struck on the head by a tree.

The issue arose because the policies were hugely expensive, contained a lot of exclusions, only paid out for a short time and were wrongly sold on hundreds of thousands – if not millions – of occasions. For example, you would probably not be covered if you were self-employed; if you had a health condition or if you were retired. One of the most common ploys was for the person selling the policy not to tell you that the cover was optional – at CCAB we see a lot of clients who were under the impression that they would not have been granted the loan unless they took out PPI. It was also often not made clear that the premium had to be paid upfront in a single premium – the lenders added the cost of the PPI policy onto the loan and charged interest on it. So if you borrowed say £10,000 for a new kitchen the bank would charge interest on the loan, sell you a PPI policy (and get huge commission on that) and then lend you even more money to pay for the PPI and charge interest on that as well. It was not unusual to find policies costing up to 25% of the original loan. As the average period of payout was 12 months – and in many cases only the minimum payment was covered (for example on a credit card) it was often very far from being either good value or indeed fairly sold. Another regular “sales technique” was to fudge the issue and add on PPI without actually telling the customer. It was also quite common to fail to properly explain how PPI worked or to advise you to take out a policy which you simply didn’t need – for example if you were say a teacher or a nurse and your contract of employment was such that you would be paid for 12 months after becoming unwell and you also had adequate life cover then you would almost certainly not have bought the policy if things had been explained properly. In other words PPI was a money tree for the banks until action was (rather belatedly) taken and huge fines were dished out along with the facility to make a claim against the lender for mis-selling. Just remember though that whilst many polices were wrongly sold, not all of them were and you need advice. And another useful angle is available as a result of what has become known as the “Plevin” ruling – in brief if the lender took more than 50% of the cost of the policy in commission (yes – 50%) then you may be able to make a claim for the amount charged above 50%. In other words the view is that this was another unfair practice – you can see why I have said that the profits were vast and why there was such enthusiasm on the part of the bankers to sell the policies. Happily, the boot is now on the other foot and you can take steps to get your money back.

So what can you do if you think you has been a victim of mis-selling? Well, first of all there is now a deadline for making a claim – August 29th2019. There will be plethora of TV adverts, text messages and emails from lots of “CMC’s” – Claims Management Companies – but the Financial Conduct Authority have said that “You do not need to use a CMC” The claims process is very simple indeed and as CMC’s typically charge about 25% / 30% you may wish to have a look at the FCA website - https://www.fca.org.uk or speak to CCAB for advice. A claim takes a matter of minutes if you have the loan details to hand and we regularly see large payouts (sometimes thousands of pounds) to clients with no commission being paid to anyone. And one last little point to be very careful of – if you have ever been made bankrupt or perhaps been in some form of debt administration and you make a PPI claim the chances are that the money will go to the creditor. And if you have used a CMC then they will still have a (legal) right to their commission. So if you have had a payment of say £2000 then all of it will go to the creditor and you will be chased for at least £500 by the CMC. Please check first.

So there we have it – if you think you have been mis-sold PPI then dig out the paperwork, have a look at the FCA website, speak to CCAB if you wish, and you may get back money which you should not have had to pay out in the first place. And now I am off to get some firewood – from a nice safe stack beside the house.

And in due course all went badly wrong for the lenders and they have now come an almighty cropper – which in my view serves them right.