

Point of Sale Ban of Payment Protection Insurance Approved

The Competition Commission has effectively banned Banks and Lenders from selling controversial payment protection insurance (PPI) at the same time as loans, mortgages or credit cards.

May 16, 2010 (FPRC) -- Banks will now have to wait at least seven days before they can even contact the client to discuss the sale of PPI as the commission has upheld an earlier ruling banning the point of sale promotion of PPI.

The Commission is also banning the sale of single-premium PPI policies. This is where the Lender charges an upfront fee for the entire term of the policy, which is normally added to the loan, thus incurring interest charges.

Payment Protection Insurance covers repayments on mortgages, loans and other credit products if the borrower becomes unable to meet the repayments due to accident, sickness or unemployment. However, PPI has been at the centre of a mis-selling scandal when it transpired that many policy holders were actually unable to claim on the policies.

Many consumers are unaware that they can purchase PPI from other providers, and rarely did consumers compare price and terms of conditions of PPI. Therefore, the commission said it was also looking to introduce means of boost competition in the market, including personal PPI quotes for consumers, annual statements on the cover and better information to make it easier for people to shop around and switch provider if they felt that they could get a better deal.

Peter Vicary-Smith, chief executive of Which? said PPI often puts consumers in a position where they have to choose between shoddy protection or no protection at all.

"It's important that PPI is sold separately from other financial products to help consumers make an informed choice and find the protection product that best suits their needs," he added.

Anyone who feels they have been mis-sold PPI may be able to reclaim the money they have spent. They should start by writing to the seller of the policy and then complaining to the Financial Ombudsman Service if they feel the claim has been rejected out of hand.

Guernsey based online personal loans broker Loan-Arrangers has long recognised the issues with PPI and has therefore teamed up with lenders and brokers who no longer sell the product.

Contact Information

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