

PPI PAYMENT PROTECTION INSURANCE: ANOTHER SCANDAL IN THE FINANCIAL SERVICES INDUSTRY.

The Financial Services industry in the UK has taken a real battering over the last few years. Endowment misselling, bad advice on pensions, bank charges, credit card charges and mortgage exit fee penalties are just some of the big financial rackets to surface recently. Now there is a new and perhaps more sinister bandit in town. Payment Protection Insurance- affectionately known as PPI.

Consumers in the UK have enjoyed spending on credit cards and the comfort of the plastic has resulted in millions of people heading into debt and losing their homes. Rather than giving a shoulder to lean on in times of trouble, the Financial Services Industry pounced on such widespread desperation by flogging Payment Protection Insurance on loans and credit cards. It is a product dressed to kill and it has done exactly that.

What is it?

The concept of PPI is a rather simple one and on the face of it sounds like a great weapon to have in one's arsenal. It is designed to protect those who are unable to keep up with loan or credit card repayments due to unfortunate circumstances. Unemployment, sickness or a bad accident are just some of the examples. If you have PPI included in the loan repayment then you should be covered for repayments. It sounds a perfect cushion but in reality it has been used simply to rip people off and has become one of the most popular ways of salespeople earning easy commission. 20 million PPI policies have been sold.

Why is it so bad?

Millions of people who were sold PPI along with their loans or credit cards had no idea that it was even included. Salespeople did not even mention that it was only an optional extra. It was not a condition of any loan but many people fell into the trap believing that they had to take it out in order to get a loan or credit card. Those consumers who were aware that they were being sold PPI were not given enough information or were not told about the relevant exclusion clauses. There is normally enough small print to make anyone dizzy and those who have tried to claim on PPI have usually been refused because of some tiny and tricky exclusion clause buried in the vast amount of literature given with such products.

Consumers are only now realising that the cost of PPI was huge. Monthly repayments included a large chunk of Payment Protection and many people had no clue about it. British consumers have always reposed trust and faith in Financial Services advisers and ended up being misled with false promises and this time it has been nothing short of a complete rip off. Thankfully, following the Office of Fair Trading investigation into the sales of PPI, the Financial Services Authority has realised the brutality of it all and fined several firms for misselling.

'We are determined to see much better practice in PPI,' says FSA's director of enforcement Margaret Cole. 'This fine, and other recent PPI-related enforcement cases, show we will crack down where firms fail to treat customers fairly in this area,' she says. The Competition Commission has also launched an investigation into the PPI market and is due to report in the summer.

The PPI scandal highlights the growing trend in banks and other financial institutions taking advantage of vulnerable people. Desperate loan seekers will normally sign anything to have their applications passed and the shameless flogging of additional useless products to boost the profits of the big financial giants is quite staggering.

The fact that consumers are now taking on the Industry and fighting to reclaim their money is commendable. It is hard earned money which has gone into the fat treasure chests of the banks and loan companies. Although the FSA is doing what it can to clean up the image of the industry it may be too little too late. There is little doubt that consumers are angry, fed up and prepared to fight hard. The revolt has only just started.

About the Author

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