

Niche August 2007

Is it just goodbye to PPI or could there be a more lingering death?

Trade bodies are not commercial organisations and usually (and rightly so) steer well away from telling its members how to do their jobs. This is because people who run businesses usually know more and have a lot more invested in making the right commercial judgements.

But as the leader of your trade body I am growing increasingly concerned about the number of ostrich “derrieres” that I think are visible as heads appear to be buried deep in sand.

The economic challenges facing the industry in the first half of 2008 appear to be closing in like a fast approaching hurricane, but I feel no sense of business leaders in a hurry to protect the wider industry. Perhaps I have got it all wrong and there are well laid plans and all will pass like ships in the night, but I remain to be convinced.

- The proposed new ICOB rules and disclosure requirements will make non-advised sales much more difficult and will force more specific advisory explanations to customers that should further reduce already lower penetration rates.
- The changes to CCA will reduce income from early repayment charges so reducing lender income significantly.
- Changes in the economic cycle will force up rates, increase delinquency and bad debts so further damaging margins and so leading to increasing rates.
- A worsening economic cycle could damage securitised portfolios leading to pressure on margins and difficulty in passing away further portfolios.
- All the signs are that the price of leads from generators will continue to increase.
- The Competition Commission could recommend changes to the way PPI is sold and this would layer additional costs for those who sell it.
- As more mainstream mortgage brokers take an interest in secured loans, how will traditional secured loan brokers continue to maintain or indeed grow their levels of business.
- Sourcing systems will make competitive lender rates more transparent.

These are all issues that the seasoned business will see as both Threats and Opportunities. Firms will have Strengths and Weaknesses that they will be able to take into account in their own strategies and plans.

But if there is no plan, then I fear that as an industry we might not survive the hurricane, but be cast out to sea and perish. I am sure I am worrying needlessly. Am I?

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