



**The Association of Finance Brokers response to:
Competition Commission – Market Investigation into Payment Protection
Insurance (PPI) - Provisional decision on remedies
November 2008**

Association of Finance Brokers (AFB) is the trade association representing intermediaries operating in the secured loan (second charge mortgages over residential properties) industry. The large majority of our members also hold insurance permissions with FSA and arrange PPI alongside the second charge loan) referred to as SLPPI in Competition Commission documents). Our members also increasingly advise on other protection products in a holistic manner. AFB represents brokers who are responsible for approximately 75% by volume and value of secured loans. Membership of AFB is voluntary and on a corporate or individual basis.

We broadly support the provisional decisions on the package of remedies designed to eliminate or prevent the adverse effect on competition (AEC).

In our response to the Competition Commission “Notice of Possible Remedies” we urged careful consideration of consumer outcomes, specifically consideration not to elicit unintended consequences. At a time when consumer confidence is at an all time low, an increased vulnerability of consumers is evident in this economic climate, we urged the Competition Commission not to reduce further consumers’ access to protection products, at a time when they are most needed. We therefore caution the approach of the Competition Commission, in their recommendation to remove access to Single Premium PPI.

AFB is pleased to see confirmation, that the prohibition on the active sale of PPI by a customer within fourteen days of the sale of credit has been limited to distributors and not brokers. We would encourage the Competition Commission to follow through their recommendation to adopt this approach.

The last six months have seen a marked increase in both understanding and application of regulation by firms selling PPI. The introduction of revised ICOBS coupled with emerging rulings from FOS and existing rules from OFT; has already seen an industry stimulated into addressing the wider issues associated with the sale of PPI. Dual regulation may only serve to confuse this on-going work. Firms wishing to offer their clients a holistic approach may also feel

discouraged by the complexity of the additional requirements, and withdraw from this market altogether - leaving potentially vulnerable consumers under-protected.

There must also be a distinct separation drawn between product and service advertising. Where products are being advertised, consumers are being invited to purchase. Clear risk warnings and product features should be present - consumers must be in no doubt about what they are purchasing. When brokers are advertising their service, they are inviting a client to contact them to discuss areas in which, they may be able to offer their service. In this service proposition, it is our belief that product features and details serve no purpose to consumers. As always the devil is in the detail and without a clear indication of the "trigger point" for additional advertising disclosure, we can not assess appropriateness in the wider context of the proposals.

Price comparison has undoubtedly become progressively more important to consumers. Whilst consumers are increasingly technologically astute, the desire for advice from trusted advisers remains. Price comparison sites offer consumers easy access to a significant number of products and providers. What customers can expect is a comparison based on the underlying cost of the product. What should not be expected is a comparison between the qualification terms and flexibility of the product. While we understand the importance of empowered customers - able to shop around - and receiving transparent access to information, the wider market conditions and the complexity of this product demands advice from firms. The cost of the product alone can not be an assessment of its suitability. AFB would therefore strongly argue that shopping around is no substitute for advice.

Finally the mandatory production of annual statements to consumers may bring about unintended consequences, acting as a trigger for consumers to terminate existing cover based the presumption that cover could be secured for less. Consumers' circumstances may differ from inception and as a result consumers may end up with substandard or no cover.

As mentioned in our previous submission, what the remedies do not appear to acknowledge is the cross-subsidisation matter which the Competition Commission has commented upon in earlier work. The likely consequence of the remedies is that for some the cost of credit will greatly increase. We continue to believe that this should be carefully considered, particularly in light of the current economic conditions.

AFB
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