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PROFESSIONAL ADVICE ON PPI COULD REAP THE BENEFITS

Martyn Paddon, Senior Practice Manager at Bromley based MTA Solicitors, dispels some of the myths about PPI

There has been much confusion around Payment Protection Insurance (PPI) in recent months, and the fact is that everyone needs to educate themselves on what it is and whether you need it, to ensure that you are not being mis-sold to. If you think your policy has been mis-sold there are steps you can take in order to ensure that you get the compensation that you deserve.

WHAT IS PPI?

There are around 20 million Payment Protection Insurance (PPI) policies in the UK, generating over £5 billion a year for the companies involved. The policies cover repayments in the event that you are made redundant or unable to work due to illness or injury.

In many cases the policies are automatically added to a loan agreement regardless of whether the policy holder has requested one, and can increase the amount repayable by thousands of pounds over the life of the loan. Consumers are often unaware of this taking place, and many people fall outside of the bracket for which the policy applies. For example if you are retired, self-employed or not reliant on an income, you may not need or benefit from PPI as for a large part these policies cover you if you are employed and lose your job through redundancy.

When you take out a loan there are strict laws dictating how the loan is sold to you, which are there to protect you from unfair practices. The selling of PPI policies is regulated and falls within the Consumer Credit Act, which can be complex, so it is the lender who has to ensure that policies are sold correctly. If the correct process has not been adhered to the PPI policy could be mis-sold and you may be entitled to a refund of the policy, plus interest. Also many sellers are paid commission on the sale, so are keen for you to take on Payment Protection Insurance regardless of whether you actually need it.

The financial regulator has been fining PPI companies for “not treating customers fairly”, plus the Competition Commission has investigated the market and has placed a number of demands on lenders to curb these unscrupulous practices. But this comes as little relief to those consumers who have already been mis-sold PPI.

WHAT TO DO IF YOU THINK YOUR POLICY HAS BEEN MIS-SOLD

There are hundreds of thousands of potential mis-sold policies out there and it is possible to seek compensation on mis-sold PPI going back six years. So what are the options if you think you may have been a victim of miss-selling?

The biggest hurdle is knowing whether you've been mis-sold PPI in the first place. You may have taken out loans in the past and have no knowledge of whether the lender has even sold you PPI, as they may have wrapped this into the re-payment figure without you even realising. Often this can be ascertained by examining your loan documents carefully.

Many people embark on their own battle to try and recoup the money they have already paid on mis-sold insurance but lenders can drag their heels, only paying out the minimum (with no interest), or simply refusing to pay out at all. People then give up, thinking this is the maximum to be repaid, or that there isn't a case to be won. However getting some professional legal support at this stage would increase the likelihood that they would receive a lot more.

Choosing the services of claims management companies, who now offer PPI reclaiming services, needs to be thoroughly investigated before proceeding. Many of these companies have simply jumped on the bandwagon without the expertise and it's probably best to tread cautiously. Some charge an upfront fee which should not be necessary.

Seeking legal advice may be a more viable option, as most solicitors will charge on a 'no win no fee' basis. By seeking professional legal advice, you stand a better chance of proving to the lender that the PPI policy has been mis-sold and obtaining proper compensation.

CHOOSE THE RIGHT POLICY FOR YOU

Consumers do need to understand this type of Payment Protection Insurance, ensure they need it and take on the responsibility to shop around. You need to take out insurance that's suitable for you and ensure the lender is giving you options. You should be very wary if the insurance policy is tied in to you receiving a loan.

Despite all the negativity around PPI, it is a very valid insurance if sold correctly, and should you need to make a claim, can mean the difference between losing everything and retaining your life style.

Martyn Paddon is Senior Practice Manager at MTA Solicitors in Bromley. For further information please visit www.mtasolicitors.com

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About MTA Solicitors:

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MTA Solicitors clients' span across many different business sectors in the UK and overseas; including foreign law firms, offshore trustees, major UK and global insurance companies,

domestic and foreign banks, transport operators, local authorities, agents and service providers, and individuals.

MTA has offices based in London, Kent and Manchester and employs over 250 lawyers. Please visit: www.mtasolicitors.com for further information.