A guide to

Payment Protection Insurance

This leaflet is a general guide to payment protection insurance (PPI).

It also sets out the questions you should ask when you are thinking about buying a policy.

Please ask your provider for the exact details of the policy on offer.

Payment protection insurance (PPI) policies are designed to help you repay your debts (such as mortgages, loans and credit cards) if you have to stop working because:

- you have an accident or become ill; or
- you become unemployed and you did not expect this to happen when you took out the policy.

There are many types of PPI. The level of cover can be different from policy to policy. Always read the policy summary for details of the benefits and the main exclusions (the things the policy doesn't cover). If there is anything you are not sure about, you should always ask for more information before you buy.

You do not have to take out PPI. You will not be refused credit (such as a loan or credit card) just because you decide not to buy PPI.

Should I protect my debts?

Ask yourself how you would cope if your income stopped or was reduced. Consider your own financial circumstances, including any other insurance cover or savings you already have.

Who can apply?

Usually, you need to be over 18 and under 65, and must live and work in the UK. If you work part-time, are self-employed or on a fixed-term contract, check what the policy would cover you for, as special conditions may apply.

Where can I buy PPI?

You should shop around for payment protection insurance to compare prices and benefits. Some providers (for example mortgage lenders) offer PPI when you apply for a loan or credit. You can also buy PPI direct from brokers and insurers, and on the internet or over the phone.

What am I covered for?

This insurance usually covers your repayments for a fixed period of time – often 12 months – if you have an accident, get ill or lose your job. In some cases, the policy provides cover if you die or are seriously ill.

Can I claim more than once?

You need to check each policy to see if you can claim again if you return to work for a specific period of time and then lose your job, become ill or have an accident again.

How much does PPI pay out?

For mortgages and loans, the insurance payments usually cover your monthly repayment.
For credit cards, the insurance claim payments always cover the minimum monthly repayment, and some pay more.

What am I not covered for?

PPI does not usually cover any medical conditions you know about at the start of the policy.
It will not cover every type of illness.
You cannot normally claim for unemployment if you:

- resign;
- accept voluntary redundancy; or

- lose your job because of something you do that breaks the conditions of your employment contract.

You usually have to have had the policy for a certain period of time before you can claim.
There could be other things your policy does not cover, and insurance payments may be limited.
It is important you read the policy summary and the policy document to check exactly what is and is not covered.

What do I need to do to make a claim?

If you need to claim, you may need to provide evidence to support your claim (for example, medical certificates if you are signed off work by your doctor). You may have to pay for the medical certificates yourself. If you are claiming because you are unemployed, you will need to have signed a Jobseeker's Agreement and show you are looking for work throughout the period of your claim.

How do I pay for PPI?

You pay premiums either every month or as a single payment, depending on the providers and the type of credit you are taking out. For single payments, the cost of the insurance is usually added to your loan and, as a result, you may pay interest on both the loan and the insurance premium.

How can I cancel PPI?

You can cancel your insurance at any time. If you change your mind about taking out the policy and want to cancel it within 30 days of buying it (the 'cooling-off period'), you can do so without any charge.

After this, if you pay off your loan early, cancel your credit card, or simply decide you no longer need the cover, contact your provider. If you paid a single premium, ask your provider about what refund you are entitled to if you cancel.

Refunds will not necessarily reflect the period of insurance that you are cancelling. This is partly because you owe more money at the beginning of the policy, so the risk at the beginning of the policy is higher than at the end of the policy. Expenses such as administrative costs may also be taken from the refund.

The leaflet has been produced by the following trade associations.

Association of British Insurers

The voice of banking & financial services

COUNCIL of MORTGAGE LENDERS

FLA

PROTECT Association of Creditor Insurers

More information

You can get more information from the following websites:

The Financial Services Authority:
Website: www.moneymadeclear.fsa.gov.uk/news/payment_protection_insurance.html
Phone: 0845 606 1234

Citizens Advice:
Website: www.adviceguide.org.uk/index/your_world/consumer_affairs/insurance.htm
Phone: 020 7833 4371

The Association of British Insurers:
Website: www.abi.org.uk
Phone: 020 7600 3333

Protect:
Website: www.protect-aci.org.uk

Council of Mortgage Lenders:
Website: www.cml.org.uk/cml/consumers/guides/protect

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