

PPI Feedback Session - 24 August 2006

Excised Transcript

Rob Williamson: Good morning, everyone. Welcome to our feedback event on emerging issues. I'm Rob Williamson from the OFT branch doing the market study. Graham Winton is director of the branch and will be setting out in a moment the aims of this session. Debbie is the team leader on this study and will be doing the substantive part of the presentation. Other members of the market study team are here and they'll either be introduced or they'll introduce themselves as they join in the discussion. I haven't been given any housekeeping instructions. I observe that there are two fire exits at the back as well as two at the front. I don't think there is anything else. I will hand over to Graham.

Graham Winton: Morning everybody. The publication of our paper on emerging issues earlier this month and this session today are both new initiatives for the OFT in the context of a market study and they're very much a response to a desire, a quite reasonable desire, I ought to say, on the part of business to see and have the opportunity to comment on the direction of our thinking before we reach and publish conclusions in our final report. So the purpose of this session is it's designed for you to be able to give us feedback at what is a formative stage on what we see as the key emerging issues as part of a transparent approach to our work. It follows, from the fact that we're consulting now, that our views aren't set in stone, partly because the issues as set out in the paper are based on interim results and analysis and partly because we're still developing our views and want to take input from you into account in doing so. I should say that I recognize that the timing of the paper and this session today, over the holiday period, was not ideal for some of you and I'm glad that so many people have been able to attend despite that. It wasn't ideal for us either. I've just got back from my own holiday on Monday this week to find myself doing this. However, we did want to press on. It's in everybody's interests, I think, that we keep to our published timetable of delivering a result on this work by round the end of this year, without of course compromising in terms of the quality and thoroughness of what we have to do. Adding this extra, and I should say non-statutory, new step to our process has put pressure on our timetable and we really needed to do this now or not at all. Hopefully you and we will find it valuable despite the less than ideal timing and notice. I'm going to ask for a quick show of hands at the end of the session on how useful you found today's discussion and whether, generally, you think it's a worthwhile step in our market study process. I'm going to hand over to Debbie very shortly but, just as a final point, I'd like to emphasise that this session is intended to be principally about feedback from you on the areas covered in the emerging issues paper. It's not really intended to be a forum for discussion at the outcomes of the market study

or potential solutions to any concerns we may evidentially identify. We will, though, be listening carefully to your comments and taking them into account when reaching our conclusions. I should say that we're recording this session and we will be placing a summary of it on our website as soon as we can after today. Here are the areas we're going to be seeking your feedback on, and you'll recognise that this pretty much follows the structure of the emerging issues paper which we published earlier this month. The way we're going to run things is that Debbie's going to take you through the agenda, saying a few words on each of the areas before inviting comments from you. As I suggested earlier, the hope is that you'll be doing more of the talking over the course of the morning than us. There are, however, quite a lot of people here, many of whom I expect and hope will want to speak so please keep your comments brief and to the point. Rob is going to be managing those discussions and calling people to speak and I'm sure he can be relied upon to keep the strictest of order. We shall see. With that, I'll just pass over to Debbie to get onto the substance.

Debbie Samosa: I'm sure that many of you will be aware of the various items of research and analysis that we've carried out during the course of the study, except perhaps for the work which was done by London Economics on our behalf and our mystery shop. We drew on all of this evidence to produce the emerging issues paper. I'm not intending to spend a great deal of time on the finer detail of the research. What we will be doing is we will publish that information at some point when we publish the market study report, however, I thought it might be useful for those of you, for example, whom we haven't met to give you a brief overview of what we did. In terms of the London Economics work, following the super complaints, before we actually launched the market study, we commissioned London Economics to carry out some research for us, looking at amongst other things market structure and market definition, as well as identifying issues which they felt we might want to explore in more detail during the course of the market study, as well as helping to pull together a picture of the PPI market. That work helped us to draw up the business questionnaires, which many of you will have received. When it comes to the business survey – and, I think, on behalf of the team, I'd like to thank all of those who responded, we had a very good response rate – we estimate that approximately 90 per cent of the gross written premiums, those people who account for approximately 90 per cent of gross written premiums in the UK responded to the survey. So I think we actually got very good response, a good picture of what's going on from a business point of view. In addition, we met with over 20 organisations from across the sector, ranging from underwriters, distributors, intermediaries, etcetera and we also sent what we call financial proformas which provided information on profits and on costs to some of the larger institutions – and, again, I'd like to thank anybody here today who actually sent that back to us. On the consumer survey, we did a quantitative and

a qualitative aspect to this consumer survey but I'll focus today on the quantitative because that's the data that's actually in the emerging issues paper. In relation to that work, we carried out 1,000 telephone surveys. I say we. We actually hired GFK/NOP. I think we might have had a bit of a busy time ourselves with 1,000 interviews. We actually interviewed consumers who had taken out PPI during the last 12 months and this was split into the five types of credit card, unsecured loan, secured loan, first charge mortgages and store card PPI. Store cards, we appreciate, has recently been a subject of competition commission investigation but we wanted to include it for completeness sake. We also contacted 150 rejecters of PPI to find out why they didn't take PPI and 126 claimants to find out a bit more about their experience of claiming. That sounds like a slightly odd number but we did actually have difficulty tracking down many claimants and we had to stick with 126. The survey itself covered issues such as consumer understanding and behaviour, including why PPI was purchased, expectations of the product, etcetera, information provision and availability, including whether they shopped around for the PPI and how this compared with their shopping round for the credit and information about the sales process, for example whether they felt pressured to buy, whether there was an assessment of eligibility, suitability, suchlike. As a sort of additional extra, we've actually commissioned Professor Rob Ranyard who is a professor of psychology from the University of Bolton and he's previously carried out some research from a psychological point of view into PPI. We've asked him to take the findings of the survey and provide his own expert view on those findings and what they might mean for the operation of the sector. That work is ongoing so it will be ready shortly. On the mystery shop, for obvious reasons, we haven't talked to anybody about doing this. Using primarily the Internet and the telephone, we contacted 24 providers of unsecured personal loans, ten providers of secured loans, ten providers of credit cards and a number of mortgage providers just to find out information on the credit product, including interest rates on the loans, the type of PPI premium, for example single or regular, loan mortgage costs with and without PPI and information such as the total cost of PPI and the APRs and exclusion. So quite a detailed mystery shop. You'll see the data referred to during the course of today.

Moving on to market definition, defining a market is a key issue for OFT as it can actually be a useful step along the way to analysis of market structure. The significance of market definition lies in finding out what competes with what. Now, I'm not actually intending to spend a great deal of time today discussing market definition and, as Graham said earlier, I should stress that our thinking on this is continuing to evolve and will be subject to change but I think it provides some useful background to the remainder of what we're going to talk about today. Essentially we believe that there are five PPI product markets and I've set them out there. We've got credit card PPI, unsecured loan, secured loan, first

charge mortgages and store card PPI. PPI is a secondary and even a tertiary product, which is typically purchased only as a result of buying a primary product i.e. for credit. Its demand is derived from demand for the credit product and our market definition, therefore, reflects the distinctions amongst the primary retail credit markets. There are some indications that first charge mortgage PPI appears to operate slightly differently to the other types of PPI, for example it has a stronger standalone and intermediary presence, but, nevertheless, whilst some of the issues set out in the emerging issues paper may be less marked for MPPI, on the whole they do still exist. We've also considered whether sub prime mortgage PPI might constitute a separate market to prime mortgage PPI but whilst we found that there are a number of features that may differentiate the sub prime from the prime lenders don't themselves seem to draw this distinction and it's actually been quite difficult to find a clear structural break between the two. So we've, therefore, not defined a separate market for sub prime on the basis of supply side substitution. We also had to look at other products. For other insurance products to be effective substitutes for PPI they must be close enough to restrain prices. We examined a range of insurance and non-insurance products that consumers might consider to be substitutable for PPI. These included things like income protection and critical illness. However, what we found is that these types of insurance differ fundamentally from PPI in characteristics and appear to be more complementary than direct substitutes. So we haven't put them within the same market. And, finally, on the geographical market, we've found no evidence to suggest that it's anything other than UK wide.

Rob Williamson: Thank you, Debbie. Let's move to some feedback. As far as possible, I'm looking for views and comments from you rather than questions. If there are points that you make that one of us on the team thinks we can usefully respond to we will but don't expect that we'll respond to everything. There are going to be four of these mini feedback sessions with 15 to 20 minutes for each of them and we do have roving microphones. If possible, please wait for the roving microphone. In any event, say who you are before you start to give us your views. That will help our recording. If I can move into feedback and, perhaps, first taking any points on what Debbie said on methodology and what we did. Anything on that?

[] Can I congratulate the OFT on the excellent and extensive work it's undertaken to collate the data? Credit where credit is due. You've done a first class job. I just hope that you can follow it through with actions.

[] Debbie, you said it was difficult to look at the structure in terms of the markets within the market yet, in terms of customers, there are customers who are more vulnerable in terms of life circumstances and, therefore, there's a

greater need for those people. Could it not be done by the consumers rather than by the market?

Rob Williamson: That's starting to take us into market definition issues so if there isn't anything else, specifically, on methodology...

[] Regarding your mystery shop, you gave some numbers of the sample size, number of providers you contacted. How many times did you contact each provide? You also said a number of MPPI providers. Could you be more specific than that, please?

Rob Williamson: Can I ask if there are any others on methodology, emphasising that, on the whole, I'm looking for views and comments rather than questions? I accept that in this particular area questions are a little bit more inevitable. I'll see if there are points to make and then we'll move on to the market definition. No? Any quick comments on any of those?

Debbie Samosa: In terms of the mystery shop, we initially contacted providers once but that was sort of at the quotation stage and we were quite conscious that we would be criticised for not actually contacting people through an application stage. So we actually went back in terms of personal loan providers and actually went through an online application stage as well. So those we'd spoken to on the personal loans we've actually contacted twice.

Rob Williamson: Thanks, Debbie. Can I take any comments and views on market definition?

[] You mentioned there were five relevant product markets. I would suggest there are probably six. There's an income protection ASU product that is sold as a standalone basis which often gets confused with the income protection, the old PHI contract that was sold and that is, of course, a problem in people confusing what they're actually buying.

Rob Williamson: Thank you for that. Any others on market definition?

[] I'm interested in why you decided there wasn't any distinction between the prime and the sub prime lending market. From the distribution point of view, I've always been led to believe that the sub prime market is a distinct group of distributors who specialise in particular kinds of loans, particular kinds of customers but you're saying you didn't make any distinction between the two.

Debbie Samosa: We asked the question specifically and some lenders seem to categorise in that way. Some lenders may not but on the whole, we didn't find

lenders categorising in that way. It was actually quite difficult to find a sort of clear structural break. It wasn't easy to say these are sub prime and these are prime and in the end we just concluded that it wasn't easy to do. It was very much based on what we were told by lenders that that's not what they were doing themselves.

Rob Williamson: We're here primarily to listen. We'll take your clear view on this. We'll take the point that was made on different types of income protection and we will think about it. Anything else on market definition? In which case, I think it's back to Debbie.

Debbie Samosa: I'm not going to spend a great deal of time looking at upstream issues as there were much more issues downstream but I have identified three areas of interest here. Early indications are of a fairly competitive upstream end of the market. On the whole, when non-captive business comes up for tender there seems to be a number of bidders. Lenders do appear to be capable of exerting some buyer power. Underwriters appear to have been squeezed on the net price for quite some years, although we did recognise that price forms only part of the tender and service seemed to be equally, if not more important, for a number of people. Our findings on barriers to entry are inconclusive. Underwriters with a strong brand and track record in PPI seem to be at an advantage when it comes to securing new business, compared with a newcomer, but most of the distributors we spoke to seemed to be willing to consider a newcomer within the tendering process. That's set against us being told that it is actually quite a mature market with falling margins, which makes it a bit less attractive for new underwriters and we haven't actually seen a great deal of new entry over the years. Upstream issues relating to the role of standalones are actually discussed later when I talk a bit more about point of sale advantage so I'm not going to talk about it much here. Before I talk about the issues, I should say that we do appreciate that for many consumers PPI provides peace of mind and, in fact, 35 per cent of our consumer survey indicated that they took out PPI for that reason but consumers should not pay a higher price than necessary for peace of mind and it's important that all consumers - your customers - get the best possible deal. When it comes to value for customers there are various issues that, taken together, lead us to question the value of PPI for consumers. On the whole, claims ratios across the sector appear to be low, compared with other insurance products. Now, whilst we appreciate it's difficult to draw a direct comparison of PPI with other insurance products, claims ratios of below 20 per cent for PPI, compared to around 74 per cent for motor insurance, are sufficiently different to be beyond questions of differences in comparability or risk. Now, this could suggest that gross profits are high, and implies customers are receiving poor value. Our research points to high commission rates paid by insurers to intermediaries.

Rates differed from, for example, around 34 per cent to 38 per cent for first charge mortgages to around 42 per cent to 58 per cent for unsecured loans. The average commission rate was typically lower for all regular premiums than single premiums, with the one exception of motor finance. It's difficult to see how commissions at this level can be justified by the effort involved in selling the product alongside the associated credit. We also found that prices for PPI differ greatly, in ways which cannot be accounted for by differences in quality. This was reflected in our own research. So, for example, for a £5,000 unsecured loan over five years the monthly PPI premium ranged from £16 to £40, with little obvious difference in cover. Whilst the differences seem less marked for PPI, we did still find differences of up to 40 per cent. Work carried out by others, also supported this assertion. Essentially, if prices differences don't reflect quality then those paying high prices for arguably a poorer quality product are receiving poor value for money and the market is not serving its function of keeping prices in check. And I should point out that being able to find this information in the first place was actually quite a challenge for our researcher. This information should actually be quite easy to obtain by consumers. When it comes to the cross-subsidy issue, we did receive anecdotal evidence, which suggests that some distributors might be offsetting low margins on their credit offerings with profits generated from the sales of PPI. This is mostly on personal loans. Now, the evidence differed on this. The distributors very much differed in their view as to whether this was happening. Our evidence did not support the view that customers shop around for the credit and the PPI as a package. So, taking that on board, the clear outcome of that practice is that those consumers who do not take out PPI, which is well over half, are effectively being subsidised by those who do. This is an issue of transparency and it might also indicate a lack of competition in PPI.

Rob Williamson: Thanks, Debbie. Following the sequence of the presentation, does anyone have any feedback on upstream issues?

[] There's been discussion that there are relatively few new entrants to the market at the moment, however, I have spoken, myself, with five foreign insurers who are ready to enter the UK payment protection market as soon as they perceive there to be proper competition. At the moment, they consider it to be a monopoly situation with significant barriers to entry. They believe, and some of these organisations, one in particular, are prepared to invest up to £500 million in setting up an operation. They will not do that at the moment because they don't consider there to be returns and will enter when they perceive the time to be right and it certainly isn't right at the moment for them. On another point, if I may, people are buying payment protection cover, invariably, from the providers of credit for peace of mind. My experience as a provider myself of payment protection insurance, and I've scrutinised every single lender's policy,

they are littered with clauses and small print that are designed not to pay claims, in particular long excess periods, pre-existing medical exclusion clauses, unemployment cover sold to the unemployed. The products are of a very, very poor value for consumers. They're sold at very high prices and represent extremely poor value for money.

Rob Williamson: Thank you for both points. Sticking with the upstream one for the present, any further comments on that area?

[] Just sticking to the upstream. We would certainly agree with your conclusions that there is competition in the upstream market and it's highly competitive.

[] Likewise, I'd like to echo those views that we very much identified with the broad conclusions that you were drawing in that particular area. I was interested in your comments around the market being relatively mature and falling margins over the last few years and I think that's an interesting reflection, given some of the other points that you make elsewhere in the paper. It would be useful to be able to join up some of the thoughts around underwriting ratios etcetera and, at the same time, this squeeze on margins that you've identified.

[] The last decade has been a period of relatively stable economic performance. In looking at claims ratios, the OFT appear not to have considered the entire economic cycle.

Rob Williamson: In a sense, that takes us on from upstream, which I'm happy to do. I think as far as the comments that we've had on upstream, simply to say, are appreciated and they give us food for thought. The point about claims ratio and economic cycle takes us into the points about value for customers. I'm happy now to take comments on that and if people can, as far as possible, follow the preceding point that would be useful. So anything closely related to that would be interesting.

[] I'm interested in the comparisons that you're making with household and motor insurance in particular, which are of course two fiercely competitive markets, to the extent that when you look at underwriting results they're very often not profitable markets. So I think I'd just like to exercise a little caution in interpreting that because the ratios aren't quite as dire in PPI that that means that it's automatically overly profitable. I think we have to look very carefully at what is involved in each of these different markets and not just the actual claims paid figures but the whole process of making claims and the costs involved in doing that. So I think what I'm saying here is it's an interesting point but it needs exploring a little further before any firm conclusions can be made.

Certainly, looking over things like the household market where six or seven years out of the last ten have resulted in underwriting losses, then perhaps that claims ratio isn't necessarily the ideal one to be aiming for.

[] Just picking up on the household and motor connection I would urge caution as well on the interpretation of the variation in price as an indicator of a particular issue. If we take motor and household, for any given risk profile, there's a huge rating difference from provider. I would say I urge caution to read too much into the differential pricing. It clearly isn't an exact science.

[] As a seller of both payment protection insurance and motor and household insurance, I'd like to confirm that the work involved for me as an insurance broker is far greater on household and motor insurance than it is on payment protection. However, the norm is that, and on motor insurance in particular, we are lucky if we get 10 per cent of the premium in commission and we are responsible for all mid term adjustments, renewals, claims handling. On payment protection there is very little work involved and the commissions there are three, four, five, often six times as great for less work and why is that? I would like an answer to that, if at all possible.

[] Again, just going back to the comparison with motor and household and PPI, particularly MPPI. Economic conditions right now are relatively benign and, therefore, MPPI claims relatively low. Looking at arrears and possessions figures, for example, they've been relatively low in the last several quarters. Therefore, I'd like to ask why the OFT didn't, for example, look at claims ratios over a full economic cycle? That would be a much better comparison, I believe.

Rob Williamson: I'm going to pause there and allow colleagues to come in on some of those issues. I would only comment on these other areas of insurance being fiercely competitive. Markets should be fiercely competitive. That is actually what we want them to be, which is not to say that concerns can't swing the other way. OFT did its liability insurance work where we expressed concern at really high claims ratios but fiercely competitive, on the whole, is what we want.

Debbie Samosa: In terms of claims ratios across the economic cycle, we were very conscious of this argument being put back to us and I have to say, during the course of consultation, we've been very open to people providing evidence of claims ratios being substantially different going back over a number of years. In order to get this information, you'll have seen the business questionnaires and some of the quite detailed financial pro formas that we've had to send out to businesses. The demands on those businesses are already very high and the risk of going back too many years would have meant a very patchy result on those

areas and something that wouldn't have actually given us the information we want. The only evidence we've had on claims ratios, going back a number of years, in terms of as a comparison has referred back to the last recession which was around 15 years ago and we have to think how far back do we have to go before we can actually find evidence of claims ratios which were substantially different. I think there came a point where we had to draw a line in terms of both the resources that we had available and the burden on business. In terms of alternative claims ratios, I have to say we have got a rather long list of alternative claims ratios. I wouldn't say they were substantially different than for the example we gave. I have examples, for example PET. The claims ratios in PET insurance were 72 per cent. The claims ratios in medical insurance were 79.7 per cent. So we have got a long list. You're all welcome to see the list but for the purposes of today we've just given you a few examples. We appreciate that there are not other direct comparisons but I think it still goes back to the point that claims ratios of around 20 per cent are substantially different from those of around 70 per cent and the arguments which have been put to us have not really given us an idea of why that is the case. I think I turn it back over to you. You're in a better position to explain that, perhaps, than we are.

[] Perhaps one way of less commission being better was if a lot more went into the claims fund. Why is that not happening?

[] I'm not sure whether this has been picked up but on top of the cyclical nature of the market there's another reason why the claims ratios could be lower and that is the element of cross subsidy between the loan and the PPI. That certainly is our point of view. I notice in your paper that you talked about there being anecdotal evidence. We believe there is. We know there is cross subsidy. The other point that I wanted to mention is around prices for PPI differ greatly not accounted for by differences in quality. Certainly from our point of view as a wholesaler for a number of distributors, our wholesale price or net price, which you might call it, can vary significantly between different providers depending on the product. On the life side that we focus on particularly, the price can treble depending on the particular policy features.

Rob Williamson: Thank you. It's great to have your contributions. I am going to ask if anyone else wants to come in first. I will come back to you though.

[] You have apologised for the timetable. I think all the sectors involved made it clear that it was very difficult to come up with any terribly helpful comment after very short notice at the end of August. We've found it impossible to get feedback, let alone any kind of mandate to make points. If I may, I'll make one or two personal observations, some of them general, which you might want to respond to. In terms of upstream, my perception is really that there are not

serious barriers to entry. I would really ask are there not very many markets, if not all markets, where tried, experienced and tested providers tend to start at an advantage? It's a feature. You've also said that it's perfectly possible for new players to be considered for these contracts. It seems to me unlikely that that feature is absent from almost any market you might think of. On value for customers, usually the stick is produced because prices are the same not because they're different. If you look at the recent inquiry into store cards, the lack of competition was seen to be evidenced by the fact that all the prices were terribly close yet here the great range of prices is also seen as an indication of lack of competition. I'm sure there's a theoretical economics point there that you would make to us but that's a slight mystery. I think the economic cycle point is important and for those here who are terribly old - there's not very many - some providers did take quite a bath in the last recession. There was very serious pressure on providers of PPI and I do think you have to bear in mind, and that applies not just to this area of policy, that this is perhaps the longest benign cycle that there's been in the economy for a very, very long time. There are many, many people around who can't even remember recession and it's important to have a full understanding that we are there and one doesn't know whether there's more of the cycle to come or not. Perhaps not very much, many of us would say. The cross subsidy issue has been mentioned. I'll say very little about that except it's not surprising that you might get different opinions around the market because people's business models differ enormously. There's a huge variation of the role that PPI plays in different organisations overall offering to the customer so you would expect to have a very wide range of opinions to whether or not cross subsidy occurs and, if it does, to what degree. Really, those are just personal observations rather than necessarily on behalf of anyone. Thank you.

[] The reality is at the moment that underwriters of payment protection insurance are not making money in this benign market. The reality is that with the 100 per cent profit deals all of the profit goes back to the distributors. The current pricing structures that we have are because of the excessive commissions that those distributors require. They are taking abnormal levels of commission, which is affecting the pricing structures. It's nothing to do with the economic cycle because in the positive economic climate payment protection underwriters are making very, very thin margins. It's all commission.

Rob Williamson: Thank you very much. We've had more points on upstream. Unless anyone wants to say anything on that, I think we will simply take those as input to our thinking. We've had more points about the economic cycle, which we've engaged on again. Unless any of my colleagues want to say anything on that, we'll take it simply as input. Just going back on the upstream points, Debbie did say that our view on barriers was inconclusive. We are still

doing a lot of thinking about a lot of these issues. There were various issues raised about range of prices as an indicator of no competition against similar prices as an indicator of no competition. That was one. There was a point about cross subsidy and the different business models. I have to say that we, as far as I'm aware, have only had two emphatic views on that. One was from a company who said absolutely, yes, that cross subsidy was integral and another one who said that there was no cross subsidy and their business model, as far as I'm concerned, is about as similar as you can get in this market. I think the preponderance of a view was people saying to us no cross subsidy but not really very emphatically. Again, we are happy to receive more views on this. Do you want to come in on anything, Debbie, or does any other member of the team want to?

Debbie Samosa: I think the only point on the price dispersion issue was that the key issue to think about is yes, prices aren't close together but what we found was that for pretty much identical policies, to the extent that we could do it, it wasn't that easy to do it. There was such a huge range and you might have expected those prices to be a bit closer together than they were. We're talking the difference between £16 and £40 for pretty much the same policy, as far as we could see. That isn't indicative of competition going on. You might have expected them to be a bit closer than they were. It wasn't an easy challenge, I have to say, to find policies that were as similar as we did and that was across the board. Even with mortgage PPI there were similar findings.

Rob Williamson: Let me get some more feedback.

[] A couple of observations; we're using this term distributor quite freely and the report doesn't actually distinguish between different types of distributor.

[] ...and one thing we were quite pleased with in the report was to notice that on price differential actually and other parts of the market the mortgage payment protection does seem to be less extreme or working better than other parts. I think that that is probably attributable to the fact that a lot of it is intermediated by independent intermediaries but using the term distributor, where it is really still being sold directly to the consumer, there isn't that distinction within the report. I think that would be helpful to draw that out more. Also the difference between advised sales and non-advised sales. Commission is a thorny issue and we would say that some of the commission rates are unjustifiable and particularly high but I think we also need to look at, certainly in an advised sale, an intermediate sale, where all the work is done upfront and the actual initial percentage of commission that's paid initially is very low, if you take it actually in hard cash, if it's 30 per cent or 40 per cent of a fairly small premium. So I don't think the commission structures in this particular market work as it does in other parts of the market of financial services. We talked about income

protection where you tend to get the commission paid upfront for the job done at the time. I do think we need to perhaps address the commission structure or explore some alternative ways. I'm not aware that any of the providers offer different rates of commission for advised sales or non advised sales or whether, in fact, you could get a premium reduction for, say, fee based advice. I think there's an area there that definitely needs to be explored.

Rob Williamson: That's interesting. Thank you.

[] I'd just like to raise something on the value for customers. Obviously, I understand there's a strong economic slant here and we're talking about numbers and claims ratios but Debbie mentioned that in the survey 35 per cent of people who bought the product bought it for peace of mind. Is there any value attachment to that peace of mind? I haven't seen anything in the emerging issues. The other thing is in terms of the claims. I think it's been agreed that there are almost 500,000 claims each year. Has there been any value in terms of those claimants not being repossessed and the subsequent damage? Again, I don't see any reflection of that in the value for customers.

[] I want to elaborate on [] point just now about value for money for MPPI especially. There's a significant part of MPPI that consumers do use and certainly for home ownership and sustainable home ownership MPPI has a very, very important role. The government itself actually, back in the late 90s did hope to increase take-up of MPPI when it rolled back income support for mortgage interest. Therefore, MPPI does provide much more than just peace of mind to customers. If you actually look at statistics from a survey of English homes, you will notice that in fact upwards of about 75 per cent of people in arrears would have been protected by MPPI because it would have saved consumers home ownership from possession. Now, MPPI take-up is very low, unfortunately. That's another issue related to this report. I think it is very important to point out that MPPI is a valid product for certain types of customers to protect them in home ownership. Thank you.

[] We've talked about mortgages and loans in terms of the ability of the customer to compare prices. In the card market the level of benefit is in actual fact a more reliable way of comparing products other than the headline price. I think, in terms of the market going forward, the method whereby customers can compare one product against the other should look at the level of benefit as opposed to the headline price.

Rob Williamson: Thanks. I'll pause again and make some comments. There was a reference there to PPI being bought for peace of mind and the value of it and Debbie did say that in her presentation. We recognise it has a value. She also

said that there is no reason why people should be paying more than a competitive price for it. Going back to values, I recognise the point in relation to housing and repossession and so on and it's useful to have these comments coming in, and the point about increasing take-up, but coming back to the point about people not paying more than a competitive price, might not take-up be higher if prices were more competitive? Can I just throw that as a question back? Any more from anyone on the team? Any more feedback on value for customers?

[] For me, there's something around the competition that PPI has in a secondary or tertiary market as an opportunity. It's a profit opportunity. PPI is competing against other products, some of them are not related to protecting the customer in any way in terms of what the point of sale can economically allocate time to try and sell within a limited envelope in front of any one customer. There is competition in terms of do we sell PPI or do we sell any other non-related products? There's that element which I don't think has really come out.

[] Commenting on value for money for customers really. I know there are at least eight or nine standalone providers, mostly in the mortgage market. So I would say that the market is fiercely competitive. There are easily available comparisons, people like Defacto, Synoptic, Which ? where it's shown prices and product comparisons. The problem is, I think, that the advisor, let alone the customer, does not understand the concepts of back to day one access periods, initial exclusion periods and we're not comparing like for like. My worry is that we will commoditise this product in price comparisons, as motor and household, and we'll end up with the cheapest price at the top of the tables being the worst possible product for the customer to buy. There needs to be more education. There needs to be advice given and I'm concerned this product will become a commoditised, non-advised product which will devalue the product.

Rob Williamson: Thank you for that. I've got two points out of that so if I could ask for quick comments so that we can move on to the next stage of the presentation because, actually, the last point about comparators was quite a good link into the next session on information issues.

[] We very much agree with much of what's in the reports. These are complex products. There's a real lack of transparency and, generally, PPI offers poor value to consumers but is a big source of profit. One thing to mention, that there are actually quite big differences in the cover that's offered by some of the products – say, unsecured loans. Some products will pay out till the end of the loan. Some will only pay for 12 months but the price doesn't necessarily reflect those differences. Similarly, with credit cards. Some would pay out 3 per cent, the minimum repayment. Others would pay 10 per cent for the 12 months. It's

an issue. I think it's something to be aware of. The price doesn't reflect those differences necessarily.

[] Just to pick up on the point from the front and the point Debbie made about transparency. We very much support the need for enhancing transparency in this area. We are trying to do things that will enable customers to make easier comparisons and to get over the sorts of issues that were described in terms of the researcher finding it difficult to make comparisons. We've already made some significant strides in that area. I think I'd like to emphasise this is something that's in transition and is already being addressed to some degree and it will be useful to have some discussions with you as to how far that needs to go to meet full customer needs. Just one small point on your comeback on my comments about the fierce competition in the household and motor market, of course we are very happy to operate in highly competitive markets and I think your findings on the upstream markets suggests that that's just what is happening. However, there was some implication in what you said that a market isn't truly competitive so long as companies are making profits and I don't think we would accept that.

Rob Williamson: I don't think it's quite what I said but I'll take the comment. Going back to your point on comparisons, as I say, that does usefully link into the next little bit so I'll ask Debbie to carry on.

Debbie Samosa: We looked closely at how customers buy PPI and whether there are information issues, which is where the transparency issues are coming out here. All the businesses that we spoke to indicated that PPI is a product, which is sold not bought. Customers rarely go out to buy PPI on its own. The majority of consumers from our survey did not shop around for the PPI. Only 12 per cent said that they did yet a significant majority said they shopped around for the credit. For those who did shop around they tended to be mortgage PPI customers. I think we accept PPI is a complex product and the wide variety of products and prices actually makes comparisons quite difficult, which our researcher found when he did his research. Add in single premium policies and these sorts of issues all contribute to the lack of switching by consumers. What we found as well is with headline APR it seemed a fairly common practice for distributors to make use of a headline APR to draw people into a credit deal. This means the price of the PPI is not upfront but the inclusion of PPI within the loan may significantly alter the total cost of the overall credit deal. Had the consumer known upfront what the total cost might be, that might have influenced their choice of provider. For example, we found that for an unsecured personal loan of £5,000 the headline APR was 6.18 per cent. The actual APR, which the researcher was offered, was 7.4 per cent but this actually changed to 20.9 per cent once the PPI was added in. Now, the issue grows in significance when the

take-up rate is high, as is the case in secured loans. So when a customer can neither determine at the earliest possible time the total cost of the loan with PPI added nor determine the quality then the potential for customers who may already be financially vulnerable to get value for money is significantly reduced. Now, during the course of our mystery shop, our researcher worked very hard to find information on numerous aspects of PPI, including price, exclusions and marketing information. Believe me, he became the expert at speaking to call centre staff but even he experienced difficulties. What we found was that the results were quite varied and we did find some evidence of good practice - I have to stress that – but there were also numerous examples of poor practice. Whilst the consumers within our survey generally appear satisfied with the information that they received, it was actually quite telling that when probed many knew very little about what they were paying for. For example, seven in ten PPI holders were either unaware or didn't know whether their policy contained exclusions. I haven't actually come across any policy that doesn't contain an exclusion. When it comes to price, it was not uncommon to see marketing information without any information at all about the cost of PPI but we also found that for the majority of unsecured loans, when it came to a quote, PPI was then automatically included in that quote. For secured loans, in particular, it was quite common for no information to be given out unless the caller actually went through the application stage. So there's no shopping around possible at all there. In our view, this is actually one stage too far and it may make it much more difficult for the consumer to refuse PPI. And, finally, a particularly worrying finding was that nearly 30 per cent of consumers in our consumer survey either assumed, were told or were given the impression by the distributor that taking out the PPI would help the application for credit. We appreciate the numbers who actually told was quite small, although lenders also implied, I have to stress, but we are actually quite uncomfortable that something in the way the market is operating would actually lead consumers to make this kind of assumption in the first place.

Rob Williamson: Thank you, Debbie. Open for feedback.

[] The complexity of payment protection insurance products could be addressed by having a baseline standard [].

[] This question of not including PPI in APRs, I understand the reason for that was an ASA ruling that it was too complicated and because it's a subsidiary product and not part of the actual credit application, therefore, they take the view that it shouldn't have to be included in there. Whether that will change or not, it's down to the industry I assume, but, as I understood, that was what the reasoning behind that was. It may change competition if you put that in there.

[] I think it is worth mentioning that there is a clause in the banking code which says the lender will not make it a condition of granting credit that you take out insurance with us. They may make it a condition that you take out insurance but it doesn't have to be with the lender. [] I think it is well worth mentioning that there are element in the banking code which covers this. One other comment; credit cards are complex products with very varying terms hidden in the terms and conditions, the small print. I think the industry has been quite successful in bringing the key features of credit cards into a summary box, which appears in a common format for customers to see when they take out the product and regularly thereafter. Maybe some form of summary box for PPI, identifying what the exclusions and other conditions are, would be a useful thing.

[] Just one comment that PPI is sold and not bought. I think we do need, and it's been mentioned earlier, to take this one a stage further. It's the advised/non advised sale route. You get advisors, particularly in the mortgage market, who say they advise on mortgages but they do not advise on general insurance yet they sell PPI. Is it following a script or is it giving advice? It's very difficult not to give advice about a PPI product that people actually understand what they're buying. The second comment is you mentioned switching, which sends bitter shivers through my spine in that if somebody has bought an ASU product and then they switch and they have a medical problem between the first product and the second one they may well now have that medical problem excluded as a pre existing medical. So switching is not good in some circumstances.

Rob Williamson: Let me pause and take some more feedback in a moment. There's been an interesting comment about baseline standards. It's perhaps an opportunity to say that we have set out in our issues paper what we see as the concerns because, in a sense, that is the point our thinking has got to, that we can reasonably coherently set out concerns. We haven't set out any thinking on solutions because we haven't got to that stage yet. This is the point of coming to you at a formative stage. We're not going to engage in discussion on solutions but if people want to offer us ideas on solutions we're very happy to have them. So far as including PPI in APR, I think there is a whole complex set of factors in that. There are the regulatory sorts of issues but there is also the factor that is linked to the point about PPI being sold not bought so that even if there were an inclusive APR, on the whole, people aren't going out shopping for packages for credit and PPI. If they were, that sort of suggestion might be useful.

[] I just wanted to make a point on the paper on how customers buy information on para 13.6. It says that over 39 per cent of respondents to the consumer survey had not given PPI any thought. Thinking that through then, 60 per cent obviously had. I think we get caught up sometimes that no one thinks about it at

all but your own survey is saying that 60 per cent of people do actually think about it. And then on 13.22 it says furthermore whilst consumers from our consumer survey, on the whole, appear to be satisfied with the information, you then drill down and find out that they don't know anything about it but that just heartens me that a lot of the trade association activity at the moment is based on consumer education and those two points I've pointed out there and that renewal paper would seem that we're in the right direction because it's consumer apathy really in terms of, yes, they're quite happy to take the information but they don't really understand what it means.

[] On the point of PPI is sold and not bought, as a distributor of both card loan and mortgage PPI, broadly speaking, I'd agree with that. I also deal with all the claims administration and there is one particular circumstance where the customer is very keen to buy the product and that of course is his opportunity to make a claim. One of the key reasons that we have to turn down claims is because, and I exaggerate slightly here, the customer's purchased the product the week before trying to make a claim. What this suggests to me is that there is actually an understanding of the product itself and, indeed, the benefit it would offer that customer should the circumstances arise.

[] Really returning to the earlier point but emphasising under the banking code PPI is a voluntary product and I'd just like to point out that the customer chooses to buy the insurance and chooses to borrow the money for that. That, actually, is at the headline rate. Under the Consumer Credit Act, the consumer has to sign separately for the PPI cover and that's the cost of it and the cover explained to them.

[] I'd just like to make a general point with a couple of specific illustrations. The general point is one, which I know you'll be aware that there is a considerable need for you and the FSA to have pretty joined up thinking both in your impressions but also in the message that you give the industry. There are a couple of instances, one that came from the presentation we heard a moment ago, about the difficulty of getting hard information about the product at a fairly preliminary stage in the purchase process and, of course, the FSA has been very much driving the industry to say, no, we want that information delivered as close to the point of purchase of the sale as we reasonably can so that consumers are focused and understanding the information they're being given. I think that's an issue that we need to be careful of. Similarly, you quote, and I'm not quite sure of the purpose in the quote in 13.10 on your paper where you give a five line illustration of a website disclosure. Now, I think if somebody from the FSA, following the attitudes that they've been promoting in the last year, which is that they want information to be crisp, short and then to direct customers to more complex information, I think somebody from the FSA would

regard those five lines as a really rather excellent disclosure. It seems to have been put in your paper as an example of that practice. That, I think, makes it very difficult for the community that's sitting in front of you to really end up delivering something, which 'the regulators' would ask them to do so. I would just ask you to bear that consistency of approach in mind as you move forward. On consumer information in other areas there isn't that problem. Thank you.

[] Just to pick up on the point as to whether consumers believe that they're obliged to take out the PPI cover or not. I alluded earlier to the work that we've already got in hand on consumer information and one of the things that will be brought out very starkly within that is that you do not have to buy PPI and you may want to think about sorts of product that may suit your needs better than PPI if you feel you do need some protection in place. That is something that we already very much brought into putting up there in lights for customers. On the baseline product point, obviously [] is continuing to work very closely with [] on the MPPI baseline but I think we do just need to exercise a little bit of caution because, as we've seen in other products, different customers need different sorts of coverage and some of the media criticism of things like PPI is that people are having cover thrust upon them that they don't actually need because their employment conditions mean that they're not likely to be made unemployed very quickly or without warning and without adequate compensation or have sickness pay or whatever. We should be careful also to avoid a one-size fits all approach and we need to be able to accommodate both sorts of approaches within what we offer consumers.

Rob Williamson: Thank you. I'm going to pause and respond a little. I'm happy to come back relatively briefly for a few more comments. I thought I would just pick up this question of working closely with the FSA and we do. We have roles that overlap but have distinct strands to them. The FSA is concerned primarily about conduct of business, fairness to customers' issues of mis-selling and so on. They lead in that area. OFT potentially has some overlapping roles in that area in terms of consumer credit licensing. The other strand which OFT leads on and what all of this emerging issues paper is about is trying to see that markets deliver value and choice for consumers and we lead but FSA have an interest in that too. FSA's discussions with the industry have certainly focused on that as well as the FSA lead role. Yes, it is quite a complex arrangement. We need to work hard to keep things in sync. We are. I am conscious that there could be things about when information is delivered that could actually have different implications for protecting individuals on the one hand and providing ready comparisons on the other hand. So our two strands could raise issues that we have to work through between us but we will. Having said that, can I look to Debbie to ask if there are any of the issues that she wants to respond to but

equally happy to take a couple more very brief bits of feedback on this and then move on to the next part of the presentation?

[] I think that, as you've identified, how PPI is sold is the key really and there are some bad practices. [] has also found repeatedly that unsecured loan providers automatically include PPI in quotes and, to make matters worse, by phone that's not always made that clear. I think we'd agree that PPI should be an option, given a clear explanation of the limits of cover and, importantly, the exclusions.

[] I just really want to endorse what others have said regarding the MPPI baseline product. I think it is absolutely right that, at the moment, it is difficult to compare products. We do need to have this core minimum requirements and, certainly, mortgage intermediaries will be using product analysis software but if you haven't got elements that are the minimum requirement under a policy that is comparable then it's very difficult, even for a mortgage intermediary, let alone public buying direct. I think we have to also use consistent terminology and much, much clearer information for consumers. We would like to see sort of a basic, simple consumer guide. Also, which was touched on by [] is the elements of protection, particularly mortgage protection, the ASU, the three elements. We want to see those products unbundled. We would like people to have the option of covering the elements only that are applicable and suitable for their circumstances. We know that there are some providers that do this. We would like to see more of that. One other point I wanted to pick up on, on the advised and non-advised issue. Yes, there will be cases where, say, a mortgage would be advised on and yet the payment protection may be sold. If it's a face-to-face mortgage advisor I would tend to say that it would be advised on both accounts but there's also the requirement for initial disclosure document, which will state very clearly. The boxes say am I recommending this product or am I advising, basically, or am I not, no advice. So, at the point of sale, it's very, very clear whether that is an advised sale that falls completely under FSA regulation with the consumer having all the recourse should it be unsuitable, etcetera. So there is a very clear distinction at point of sale.

[] I'm going back to the PPI is sold not bought point. In your intro you obviously stated that it was a UK market investigation. This is just a general thought. Would it be worth broadening that investigation to maybe European or, indeed, worldwide and see if there's actually any cultural differences and whether in other markets the product is bought and it doesn't need to be sold, resources allowing obviously?

Rob Williamson: Unless any of my colleagues has any useful input on worldwide comparisons, I will simply take that as a comment and ask Debbie to do the last substantive part of the presentation.

Debbie Samosa: Whilst there appears to be some competitive pressure operating upstream, we saw nothing to suggest that this is feeding downstream to consumers. However, given the nature of the market, with possible cross subsidy, profit sharing and common costs, it has actually been very difficult to make an assessment of profitability. What we are saying is that claims ratios of below 30 per cent leave over 70 per cent of net premiums to cover the costs and profits of underwriters and distributors. Given pressures to restrain costs and the potential benefit of spreading costs and profit across a range of businesses within the larger operators, it seems reasonable to suggest that distributor profitability on PPI is sizeable. We found no evidence to suggest that alternative products are providing competitive pressure to PPI. The point of sale advantage is a key characteristic of PPI. The vast majority of policies are sold at point of sale and only in mortgage PPI is this weaker but, even there, it still exists. The point of sale advantage strengthens with the sale of single premium policies, given the need to take out additional credit to pay for the policy and it makes it difficult and more costly for standalone players to compete to access customers. The Internet is actually still the least popular channel for buying PPI and our consumer survey showed this and that is the main business channel for standalones. The point of sale advantage means that there is actually little competitive pressure on PPI at the key point at which the consumer buys the insurance. We saw nothing to suggest that consumers carefully weight up value for money before buying PPI. Indeed, given the lack of information available to them, it would actually be quite difficult for them to do so. Finally, our survey showed that few customers cancel. Only around 14 per cent of those consumers who had had or had ever had a PPI successfully cancelled from our consumer survey, which suggests that this, in itself, is also not acting as a competitive pressure on prices.

Rob Williamson: Thank you, Debbie. Back for comments.

[] The Internet one first; having spoken to many insurers, they do not wish to sell ASU on the Internet, particularly unemployment. Their views are that the only people searching on Google for unemployment insurance are those who actually feel most at risk or have already been told they're about to be made redundant. That's been borne out in claims and anecdotal evidence. The other issue was just about consumers. When they are buying general insurance, there is a jam jar mentality. They do not have a holistic view of all their risks, worries and concerns and go to one provider. They go and buy the household insurance from one, motor from another, travel insurance from the travel agent, credit card

insurance from the credit card provider, loan from the loan provider and mortgage protection from the mortgage provider. They don't think holistically across the whole risk factor. I would say the industry is responding to customers' needs because the customer wants to buy in jam jars. That's why you have five different products because a mortgage borrower wouldn't give details for his credit card and vice versa. They don't give the information out for holistic review, however much we'd like to. They want to buy jam jars. I'll buy my house, I'll buy my car. I want that car. I buy that loan, I buy that product, end of story. It's the jam jar mentality.

[] It's on the Internet where all the product innovation is taking place. The costing structure of Internet based payment protection products are often either a fifth or as much as a tenth of the cost of traditional payment protection products. They offer better cover and better value, contain less exclusions and yet Internet specialists, such as my company, are only selling perhaps dozens of policies every day and not hundreds or thousands, which we should be. With the price structures and the product innovation that's available on the Internet, it demonstrates that there isn't a proper competitive and properly operating market.

[] Can I just quickly ask Debbie a question? You made a comment about the Internet being the least preferred channel for purchasing PPI yet, from everything we see, the Internet is the preferred channel for purchasing an awful lot of financial products now, including loans and applying for credit cards. Did that research ask the customer is this what you'd prefer to do or did it say this is the channel where people are the least likely to purchase it i.e. because it's not face to face it isn't sold to them? In which way was the question asked because I'm quite surprised that you said it's a low preponderance to purchase on there?

Debbie Samosa: The consumer survey asked people where they bought the PPI, how they bought the PPI. Obviously, we had a list and face-to-face came out at the top, followed by telephone, followed by through a broker and the Internet was actually quite low down the list. That was based on that but we obviously looked at other research that had been done by other people as well and that was tending to show the Internet as being the least popular channel as well.

[] Does that just confirm then that PPI is sold and not bought?

Debbie Samosa: Yes, effectively.

[] Something that hasn't been said today which sort of mystifies me that it's not said out loud is I, in my professional life, have to spend a lot of time designing structures for payment protection insurance which involve, usually,

understanding totally the particular lending product, which a lender has designed, the market for the insurance and the insurer's risk and the requirement for a policy to match not only the needs of the customer but also to be tailor made to fit the loan product that is being sold to that customer. I always draw a triangle on a piece of paper when I first start. There is a market and legal and consumer requirement, usually, for a linkage and, of course, the customer is also being sold the ability to have his claim paid straight into the account of the lender who has systems and arrangements with the insurer to achieve that. Now, I can understand that that may have competitive pluses and minuses but it is a big, big practical fact of life that doesn't seem to have been said out loud today.

Rob Williamson: Thank you. Good to have it said out loud.

[] On the Internet point there are clear differences in the types of people who use different channels. The Internet is a particular set of demographics and the products people buy on the internet and the way they buy them is not typical of what goes on in a face to face, a branch environment. 80 per cent of loans are still bought face to face in bank branches.

[] I'm interested in the comment that you've made in the paper, and it appears again in your slide, that the alternative product didn't, in effect, provide competition to PPI but you saw them, broadly, as complementary, which I find a little puzzling because it comes back to what are the risks that the customer thinks they need to cover and, therefore, which is the most appropriate product to deliver the protection that they seek. I wonder whether this is just a further reflection of some relatively unsophisticated buying behaviour on the part of customers and, therefore, part of what needs to be addressed in enabling the demand side to stimulate competition within the market as well as what's being done on the supply side?

[] On the sort of comparable or complementary products, what we have seen recently is an emergence of short-term income protection, two-year contracts typically. I do think, again, there is scope for product innovation here. The key difference with income protection versus payment protection, obviously underwriting issues but if we could get the upfront underwriting, the cost of that reflected through, perhaps like these short term contracts, I do think there's a market for that but, of course, you've still got this issue of the key difference of unemployment benefit but for certainly self employed or for other people who perhaps don't want that element I just think we should encourage more creativity and to consider even, possibly, underwritten PPI which would give people a lot more, I think, confidence, certainly on what can be claimed against and not.

[] Just one thing about complementary products; a remedy, if I may. I think a lot of it rests firmly on the regulator. On the FSA, their collection of product sales data and use of product sales data and feeding back to various intermediaries and providers sees lenders, insurers and intermediaries, if they had a better idea of what consumers actually have in terms of their coverage and their types of insurance they already have. Very often, what consumers don't know is what they've actually got. If the regulator were able to provide back to lenders, insurers and intermediaries better product sales data than what the consumers have that would be a recipe, certainly an ingredient for a more competitive market in those types of products.

[] Just picking up on a previous point about online versus phone sales. In our experience, obviously, what's said during a sale is very important. In fact, often it's much more important than the written words that are given to people. We've found, when we're testing the sales of online against phone, that the online information and the way that sales are handled tends to be much better than phone or face to face visits and has seemed to be getting better faster than other forms of sales. I just wondered if that was something that you'd looked at, the difference between the information and the way it's sold online versus the phone calls?

Rob Williamson: I'm going to pause and just give people a few moments to see if they want to come back with anything else. As far as I'm concerned, I think I'm taking all those last points as useful comments to go away and think about. I'm just looking to my colleagues to see if anyone wants to say anything on any of them. I think they are things we should take away and think about. It really is one last chance for feedback before I hand over to Graham to talk about next steps and, effectively, wrap up the session. Over to you, Graham.

Graham Winton: Thanks, Rob. Although we've said that today's not the time to discuss outcomes or potential solutions, this slide, which you've been looking at for some time now, gives a broad indication of what OFT market studies can lead to. These are set out in a booklet which you can find on the OFT website which gives a good deal of information about our procedures which you may like to take a look at. All of these kinds of outcomes here have been seen in pieces of work that we've done in the past. Our investigations, our studies have led to a clean bill of health for the market that we've looked at. Sometimes we've published information ourselves to help consumers. We've encouraged firms to take voluntary action, perhaps in the form of a code of practice.

Recommendations have been made to government for potential changes or to enhance consumer protection or, indeed, to remove regulation which was inhibiting competition in the market. We have considered taking action ourselves

or suggested to sectoral regulators that they should do so or our market studies, as for example the one on store cards, which was referred to earlier, may lead to a market investigation reference to the Competition Commission. Those are all the outcomes, which are at least potential outcomes of the work that we're doing at the moment and which we expect to report by the end of the year.

Just a bit on next steps and where we go from here. I'd like to combine this really by thanking you for all your comments this morning, which have been carefully noted and recorded. Rob's been summarising and commenting as we've been going along so I won't attempt to draw out any sort of key messages from the morning but I will say that I found this listening, rather than talking, as they've been doing, the kind of intelligent discussion which befits the academic surroundings in which we've found ourselves this morning. Thank you very much for that. We're obviously going to take these away and reflect on them. We are still just about open to further written comments should anybody wish to send us any, perhaps amplifying on things that they've said this morning or considering points that they might make to us in the light of the discussion this morning. If you do want to send us further written comments, please do so. Please do so quite quickly because our work is moving on quite rapidly now. We also need to take into account in the work that we have to do going forward from here the continuing work of the FSA and also work which we know trade associations are doing in this area. We intend and expect to meet our deadline of reporting by the end of the year. Indeed, we may publish something before the end of the year. It really depends how things go from here and the sort of nature of the conclusions that we reach. We've certainly found this a very useful session this morning and I'm grateful to everybody who's participated. I realise that you haven't heard as much from us as we've heard from you. As I said at the beginning, that was the intention. This is a consultation exercise. I hope it's been useful to us to have the opportunities to put your views to us and that you've seen us this morning as being open and receptive to the points that you've had to make. I did say at the start that I'd ask for a quick show of hands on whether you found the session useful. I realise that this isn't exactly a very scientific or objective exercise but I would be grateful if people would raise their hands to say if you have found it useful. Go on. Yeah. Does anyone want to put their hand up to say that they haven't found it useful or that they found it disappointing in any way? Like I said, not objective at all but thanks very much for that. Does anybody from the OFT or Rob or Debbie want to say anything further before I close things?

Rob Williamson: No, just to echo the thanks.

Graham Winton: In that case, thanks to Rob and Debbie for doing all the talking on the OFT side this morning, to my colleagues who've helped out behind the

scenes and to all of you for your attendance and contributions this morning. It's been great, thank you.