

Annexe B

Research into Consumers' Experience of Payment Protection Insurance

**A research report
for The Office of Fair Trading**

October 2006

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CONTENTS

<i>Chapter</i>		<i>Page</i>
1	Executive Summary	5
2	Background to the Study	8
2.1	Background	8
2.2	Objectives	9
3	Overview of Methodology	11
3.1	Qualitative phase	11
3.2	Quantitative phase	12
4	Qualitative Findings	17
4.1	General attitudes to money and debt	17
4.2	Overall Attitudes to insurance	19
4.3	Attitudes to Credit Products	19
4.4	Attitudes to PPI	20
5	Quantitative Findings	22
5.1	Profile of PPI holders	22
5.2	Product purchase	26
5.3	PPI purchase	29
5.4	Consumer understanding & behaviour	33
5.5	Information provision & availability	36
5.6	Sales process	42
5.7	Understanding the terms of the PPI	43

5.8	Satisfaction with the sales process	44
5.9	Satisfaction with the PPI product	44
5.10	PPI claimants	46
5.11	PPI rejectors	47
6	APPENDIX	49

1 EXECUTIVE SUMMARY

Overall, one of the most obvious findings from this survey was the general lack of knowledge around the terms of PPI.

Around a third did not know whether they could only get PPI from the product provider, or whether they could go elsewhere; a quarter were unsure whether a policy can be cancelled once it has been taken out; over half did not know how much they were paying each month for their cover; almost two in five were unaware of whether there were any exclusions on their policy; and over six in ten could not state how long they would have to wait before being able to make a claim. Most were aware of the key aspects of accident, sickness and unemployment being covered by their PPI but they also named situations, which are unlikely to be covered by a standard PPI policy.

It seemed that consumers were not aware of their lack of knowledge. Over two thirds believed they understood the terms of their PPI either completely or mostly, as well as giving a very high satisfaction rating regarding their understanding of various aspects, such as the extent of cover, the exclusions or the amount and length it would pay out. They rated highly not only their own understanding, but also the actual features of their PPI policy.

The high satisfaction ratings can be explained by the lack of detailed PPI knowledge; consumers were more likely to be satisfied if they assumed their policy covered them for more than it did. However, combining awareness with satisfaction levels, we found that those who thought PPI did not have any exclusions had a significantly higher level of satisfaction (mean 2.27) than those who were aware (1.87) or did not know (1.91). This suggests that those who knew more about their policy cover were less satisfied. However those who were aware of their cancellation rights were significantly more satisfied (95 per cent) than those who were not aware (88 per cent). Those who did not know how long they had to wait before claiming were no more satisfied than those who did.

Only 12 per cent of the PPI holders said that they had shopped around for their policy. Mortgage holders were significantly more likely (26 per cent) than all

other product holders to have done so, followed by secured loan holders with 13 per cent, significantly more compared to the other three product groups (unsecured loan and credit card: five per cent, store card: three per cent). However of those, the vast majority did say that it was easy to compare PPI products, with only 13 per cent (15 people) saying they found it difficult.

Nine out of ten PPI holders said they paid their premium monthly, however more than half (53 per cent) could not remember how much they paid. Looking at those who were aware, for mortgage holders the average monthly cost rose with the value of the product. Similarly for loan and card holders, the average cost of PPI increased with the value of the product. On average ca. £16.00 was spent on PPI for a borrowing with a value up to £1,000, increasing steadily to a mean of £31.29 for a product value over £20,000. Cost was the main reason mentioned by rejectors of PPI, and three in five respondents agreed with the statement that PPI is expensive, although only 12 per cent expressed dissatisfaction when asked how satisfied they were with the overall cost of the policy. Keeping in mind that half could not say how much they paid, this seems contradictory. How could 60 per cent agree that PPI is expensive and how could 82 per cent be satisfied with the overall cost if half did not know how much it was? However, it may be a reference to their overall perception of total outgoings on the loan/card rather than just the PPI.

Sixty one per cent agreed that PPI is value for money, and almost nine in ten agreed that it gives peace of mind which people are prepared to pay for. Three in four of the PPI holders interviewed said that the salesperson advised them of the monthly PPI payment separate to the product repayment, and only seven per cent said they were dissatisfied, to some extent, with their understanding of how much the PPI would add to their monthly repayment.

Eight per cent said that their lender had either hinted or overtly stated that their credit application would be viewed in a more positive light if they took out the PPI. A further 19 per cent of PPI holders said that they assumed that taking out the policy would help the decision, although we do not know what reasoning this assumption was based on. However, these accumulated to a total of 27 per cent who may have been exposed to incorrect information leading to their assumption that taking out a PPI policy would favour their product application.

In terms of claims, there was a degree of dissatisfaction, although the majority of claimants were, to some extent, satisfied with the process. Almost half of

those who had made a claim were extremely or very satisfied with the outcome, with a further 17 per cent fairly satisfied. However, 28 per cent expressed some degree of dissatisfaction. The main reasons for dissatisfaction were a refusal to pay the claim, followed by the time taken to make the payment.

It would seem that one of the strongest messages emerging from the research was the lack of knowledge or understanding of PPI in consumers' minds. Some of the findings may seem contradictory, as for example the high satisfaction levels despite a lack of knowledge of the PPI details. It must be remembered that the consumers were not aware of how little they knew about their PPI, but they actually rated their own understanding quite highly. The fact that product under discussion was insurance, which was not used, i.e. claimed on, by the vast majority, will have also influenced this. There was no reason to be dissatisfied if it has not been tested and found wanting. Therefore the consumers' lack of usage was likely to have contributed to the high satisfaction ratings.

2 BACKGROUND TO THE STUDY

2.1 *Background*

Payment Protection Insurance (PPI) protects a borrower's ability to maintain repayments on their credit product should they be unable to do so themselves due to accident, sickness or unemployment. It can be applied to credit products such as credit cards, store cards, mortgages, secured and unsecured loans and is mainly sold as a linked, secondary product at the point of sale of the credit agreement.

The cover is very easy to purchase, as there are very few eligibility requirements. Typical requirements are that you are aged 18 to 65, or higher in some circumstances, and that you are employed for at least 16 hours a week or on a long term contract or have been self-employed for a period of time.

All policies will have a period at the start of each claim that you will need to wait before payments begin. Once a claim has been accepted, benefit payment periods will vary but typically, claims are paid for up to 12 months in most cases, but some may last as long as 24 months.¹

In September 2005, Citizens Advice (CitA) submitted a Super-Complaint to the OFT in respect of payment protection insurance, which stated that evidence suggests that features of the PPI market are seriously harming the interests of consumers.

The OFT response to the super-complaint identified a number of issues which pointed to the sector not working well for consumers and which indicated the need for a more detailed examination. A market study was to examine these issues in more detail, looking at:

- The difficulties consumers face in getting information they need about alternative suppliers and the easiness of understanding the information available

¹ Definition of PPI by the Association of British Insurers

- The degree of variation in pricing in the sector
- How the product is sold to consumers and what influences their choices
- Consumer awareness and understanding of exclusions
- Consumers' ability to shop around and the impact exclusions have upon it
- Consumers' experiences of making claims

2.2 Objectives

The objectives of the research were defined as:

- To assess whether consumers are able to make informed choices when purchasing their PPI
- To examine consumers' perceptions of the PPI product
- To determine the demographic profile of PPI purchasers
- To collect detailed information on product attributes and the sales channel used, where product bought from, time of purchase
- To understand consumer attitudes, motivations and expectations for buying PPI including the perceived benefits
- To find out about availability, use and understanding of information both before and after purchase, and the manner and extent of any research undertaken by consumers on product comparison etc including the credit.
- To find out what consumers know about the cost and terms and conditions/exclusions of their PPI policy and when they were told
- To perceive perceptions and experience of the sales process
- To gauge overall satisfaction derived from purchase of PPI

Where a claim has been made:

- To assess satisfaction with the claims process
- To assess satisfaction with the outcome of the claim
- To gain information on the claims process, how this proceeded, the outcome, its impact on consumers' finances
- And for rejectors of PPI:
- To establish reasons for **non-purchase**

3 OVERVIEW OF METHODOLOGY

3.1 *Qualitative phase*

The qualitative methodology used for this study was a combination of depth interviews with recent purchasers and rejectors of PPI and group discussions with holders of credit products. The qualitative phase took place before the quantitative interviewing, and was used to provide background and to feed into the construction of the quantitative questionnaire.

Ten depth interviews were conducted with holders of PPI. Of those ten, three had PPI with secured debt, four with unsecured debt (credit cards and personal loans) and three with credit products taken out via a retail channel (store cards, HP, car loans)².

Six depth interviews were also conducted with rejectors of PPI. The rejector sample was split evenly between those with secured debt, unsecured debt and retail credit products.

Sample for all the depth interviews was selected from GfK NOP's Financial Research Survey (FRS) and screened for eligibility (FRS provided the main sample source for the main stage also). The interviews were either conducted face to face or over the telephone and took between 20 and 30 minutes to complete.

Two group discussions were also conducted. One group discussion took place with consumers with unsecured debt, the other discussion took place with consumers with secured debt. Some of the consumers within the groups did have PPI, however the majority didn't. Participants for the group stage were members of the general public recruited by interviewers on the street, the groups took place in North London, moderated by executives from GfK NOP's Financial division. Each group lasted approximately 1 ½ hours and were viewed by representatives of the OFT.

² Specific details of Store Cards are not included in this report.

3.2 Quantitative phase

Sampling and recruitment

GfK NOP's Financial Research Survey (FRS) provided data on the incidence of consumers **who stated** that they had taken out PPI **in the last 12 months** (Table 1). The FRS is a survey of 60,000 consumers each year, based on a random location sampling methodology.

Table 1 – Product holding and PPI market incidences as found by the FRS

	Per cent of population holding product	Per cent of holders who took out product in last 12 months	Per cent of holders who took out PPI for product in last 12 months
First charge mortgage	31	20	10
Second charge mortgage/ secured loan	2	2.4	1.4
Unsecured loan	14	26	7
Credit card	48	14	2.1
Store card	14	10	1.7

Low incidence rates among the GB population for the target groups meant that sample had to be gathered from a number of sources: the FRS, GfK NOP's telephone omnibus (Telebus) and face to face omnibus (Random Location Omnibus or RLO) and, finally, the purchase of sample of holders of credit products from 'Experian' an external third party.

Leads from the FRS were used as the main sample source for the project, as the FRS can identify products purchased, and whether or not the respondents held

PPI on their product. We received a total of 6,943 leads from the FRS, and achieved 702 interviews from these leads.³

While the qualitative phase of research was in progress, a series of questions was placed on successive waves of both omnibus surveys to recruit eligible respondents (those who had taken out PPI since January 2005, those who had rejected PPI since January 2005, and those who had made a claim on a PPI policy since that time). Quotas were set on gender, age, region and/ or working status, which ensures a national representative sample. The omnibus surveys generated 2,054 leads, out of which we achieved 229 interviews.

Finally, we approached an external third-party sample provider who provided us with consumers who held the appropriate credit products. Screening was carried out to establish recency of product purchase and holding or rejection of PPI. This source provided 5,664 leads, out of which 200 interviews were achieved.

Interviewing, questionnaire and quotas

The quantitative questionnaire was tested and piloted before the main stage interviewing, which took place out of GfK NOP's telephone interviewing facility in Luton between 26th May and 23rd June 2006.

³ For more detailed information on the FRS follow the link below
<http://www.gfknop.co.uk/products.asp?go=product&key=39>

Overall 1,131 interviews were conducted, across 5 product groups as follows:

Table 2 – Quota overview

	Credit cards	Store cards	Mortgages	Unsecured loans	Secured loans/ 2 nd mortgage
Attempted 1,000 interviews 150 claimants + 150 rejectors	267	100 (min)	267	266	100 (min)
Achieved 1,131 interviews incl. 126 claimants + 150 rejectors	154	106	272	294	305

Included in these were 126 interviews with claimants, i.e. with consumers who have made a claim on their PPI policy. In addition to the PPI holders, we also conducted 150 interviews with rejectors, i.e. with product holders who had rejected taking out PPI on those credit products.

In order to meet the quotas set, a system of prioritisation was established at the screening stage of the interview. Due to the low incidence of claimants, all consumers who said they had claimed on their PPI policy since January 2005 were interviewed, regardless of the underlying product. The next stage of prioritisation covered the credit products, and those with the lowest incidence (particularly secured loans and store cards) were prioritised most highly, to boost the chances of achieving interviews on those products. Rejectors of PPI were the lowest priority, as we had the greatest chance of finding these.

Each interview took an average of 15 minutes, varying slightly in length depending on the number of credit products the consumer held, and whether

they had previously claimed or rejected PPI. The questionnaire covered the following areas⁴:

- Demographic profile of those who purchased PPI
- Product – type of credit product PPI bought with, cost, type of premium, when taken out, sales channel purchased through, who purchased from
- Consumer understanding & behaviour – why PPI purchased, perceptions of PPI, expectations of product, whether tried to cancel product after purchase
- Information provision & availability – quality and transparency of information available pre- and post-purchase, knowledge of cost, understanding of: terms & conditions, exclusions, cancellation rights, early redemption penalties. Whether shopped around for PPI, awareness of alternative providers
- Sales process – perception of sales process, whether or not felt pressurised to buy, whether there was an assessment of eligibility/ suitability
- Claims experience – perceptions of process, eventual outcome of claim, length of time taken to accept/ reject claim, ease/ difficulty of process, speed of paying out on policy, satisfaction with claims experience
- Overall satisfaction – overall level of satisfaction with PPI product, sales process, information

For PPI rejectors, we covered many of the same issues, such as demographics, information provision, sales processes, but also asked about:

- Reasons for non-purchase – why was the decision made not to take up PPI: including impact of eligibility, cost, ability to cover debts from other sources, pre-existing medical conditions, job security; whether had taken PPI on other products and if so, why

⁴ The complete questionnaire can be found in Appendix 1.

- Finally it is worth reiterating that even with targeted sample, in order to achieve these interviews with PPI holders 10115 consumers were contacted, in addition to 4546 unobtainable or unanswered numbers and of all the PPI holders we spoke to only 126 had ever made a claim on a PPI policy (Only 38 claimed on a policy taken out since January 2005).

4 QUALITATIVE FINDINGS

The qualitative research helped to construct the quantitative questionnaire, it also revealed some themes around general attitudes to money, debt, insurance and PPI that are outlined below:

It is important to note however that the conclusions within this section are not statistically confirmed and report only on the views and discussions held in a small number of interviews and two focus groups. The qualitative phase is intended as a broad context to the quantitative findings.

4.1 *General attitudes to money and debt*

Many of the individuals we spoke to felt a real conflict in their lives between things that pull them in different directions. For some there seemed to exist a trade-off between money vs leisure and family, with both seemingly pulling in opposite directions and exerting competing pressures, especially time. However, at the same time it can often be difficult to see leisure and family existing without money, therefore although the pressures are competing they are often necessarily complementary.

Although money was always a central part of and concern in people's lives, a perceived shift towards 'wanting things now' can mean that money becomes more of a concern than ever before.

"It's so different nowadays. My Mum and Dad used to save for ages to buy something they wanted. Now all you do is stick it on the credit card and worry about it later"

The majority of individuals we spoke to recognised that their parents' generation was very different. They lived within their means and did not borrow to buy things they could not afford.

Coupled with this rise in immediacy and the prominence of the 'here and now' not surprisingly, more long-term worries and planning such as savings, pensions even health were put on the back burner and not faced. The priority, for the

people we spoke to, often was getting through the month and enjoying life, rather than planning for the future. This can be especially true of the young, who are the key demographic for accumulating debt products.

Friends and colleagues, IFAs, advisors/brokers (especially for mortgages) and the Internet (Motley Fool, comparison sites and so on) all seem to be consulted regularly. Bank staff were also used as an information source, however some of the consumers we spoke to did have an ambivalent attitude towards financial institutions. Whilst many recognised that banks are entitled to make money and many do not begrudge the banks this, there can be an 'us and them' relationship between banks and their customers.

Furthermore, many felt that financial education is lacking and needs to be taught in schools and ingrained at an early age. There is a real worry that today young people start out in life with big debts that make it very tough.

Fears for the future generation are often grounded in consumers' current experiences and perceptions. For many of the individuals we spoke to, credit is becoming a way of life, a facilitator that allows them to enjoy and live the life they want. However, despite relying on credit, consumers still seemed to have an incredibly ambivalent relationship with it.

People's relationship with credit displays a real contradiction. Credit provides people with the lifestyle they want. It is seen as something to manage rather than remove and the vast majority of people are used to living at a level of debt.

However, although the consumers we spoke to seem to be used to living at a level of debt, most were not entirely comfortable with this state of affairs. A background of fear existed that there might come a day when their credit is not manageable/serviceable. This fear is stoked by personal histories of trouble with credit and the fact it is "*worryingly*" easy to get credit. This disquiet is further driven by a distrust of providers (fuelled by the media) and general concerns about young people forced or coerced into debt. Although debt is a background irritation for most of the time it can erupt at certain times to become a major concern.

4.2 Overall Attitudes to insurance

Insurance products seemed to fall into two camps, essential (Car, Buildings, Contents and Life Assurance) and discretionary (PPI, Health insurance).

“You have to have car insurance to be able to drive your car don’t you”

Overall attitudes to insurance also varied. Insurance provides peace of mind for some whereas for others it can be a source of resentment. When asked about the benefits of insurance there seemed to be a real conflict in people’s minds, a conflict between insurance offering a sense of security, versus being another expense.

Added to this dynamic was consumer cynicism towards insurers, which manifested itself in strong consumer fears of insurances; that they won’t pay out and of the small print. This cynicism can eat into the peace of mind benefit of having insurance and cause further resentment. With the purpose of these insurances to provide peace of mind, worries about whether they will pay up can erode the very benefit that the insurance provides.

4.3 Attitudes to Credit Products

Mortgages were not regarded as debt by most. Most regarded mortgages as an investment so that if things go wrong they can sell off their property and recoup their money. Furthermore the fact it is paid off over such a long time and is such a large sum means that the long term costs of paying and having a mortgage are not considered by the majority. If people had no other credit products besides a mortgage many would be unlikely to see themselves as being in debt.

However, consumers were much more actively involved in the initial process of taking out a mortgage than for many other purchases. Most conducted wide-ranging research into different providers and prices allowing them to compare

and understand which is the best price. As well as this, consumers also sought a wide-range of advice and consult various different opinions/people/professionals when taking out a mortgage.

Personal loans and **credit cards** were regarded with a real mixture of attitudes. For some, purchase of personal loans or credit cards were driven by a specific reason or need such as the purchase of a new car or TV etc. For others however it was a way of facilitating their lifestyle in more general terms (this was especially true of credit cards).

Although some think about paying off their loan or credit card, for many (again especially credit cards) it becomes about managing monthly outgoings.

4.4 Attitudes to PPI

PPI insurance can be characterised by some confusion, even for holders.

The consumers we spoke to can describe PPI as *“cover”* and *“protection”* even *“extra cover”* for such things as redundancy and illness/accident. Some mortgage holders can feel that PPI overlaps with life assurance and therefore there was some confusion as to which is which and some sense that perhaps they could be paying twice for the same cover. Generally, most respondents were unsure as to precisely what PPI covered them for.

“Well it’s loan insurance, that’s what it is”

Part of the potential problem is in the language consumers use to describe PPI. When talking about PPI, people often say things like: *“cover for if anything happens to me”*. However, when probed further on the exact coverage of the product, people can be unsure.

PPI was seen by many as more important to hold for **secured debt** than unsecured debt (credit cards/personal loans). The implications of defaulting are much greater when the house is at risk than with other credit products, and the desire to protect children from debts and continue to provide for the family means PPI can be important.

For **unsecured debt** taken through a financial channel (credit cards and personal loans) those rejecting PPI can feel the debt could be covered in other ways if redundancy or sickness were to occur.

PPI rejectors within our sample also felt confident in their decision to reject PPI. The decision seems to be usually made before they get to the point of sale and their decision seems to be usually respected.

For rejectors, PPI can seem expensive and not worth it. Many felt they could afford to make the repayments if they were made redundant. Furthermore, PPI can feel like 'dead money' with many preferring to save money instead and if need be make it stretch to make the repayments.

The respondents we spoke to reported shopping around for most credit products but not for PPI itself.

In terms of PPI, the main focus of the consumers we spoke to was the credit product and achieving the best deal. As such, PPI is not regarded as a key consideration and therefore most of the consumers we spoke to did not shop around for it.

Respondents had a mixed recall of the key facts document, with the policy documentation often 'filed' in a drawer somewhere to be referenced as needed. Often the documentation tends not be read until after the product is taken out.

Generally, most of the consumers we spoke to felt that they had all the information and explanation they needed to make an informed choice about PPI. Most reported that the documentation and sales process was clear and prices were explained as separate costs.

"They explained it all quite clearly, even the preconditions. They also gave me the repayments with and without the insurance, although I had to ask for the repayments without the insurance"

5 QUANTITATIVE FINDINGS

5.1 Profile of PPI holders

Current and past PPI holdings

Overall 1,890 credit products were taken out by 1,131 respondents, which equates to an average of 1.67 products per person. A total of 1,360 PPI policies were held by these 1,131 consumers, which means 1.20 PPI policies per person; in other words, 72 per cent of the credit products were covered by a PPI policy. A detailed overview split by product group is shown in the table below.

Table 3 : Credit product holdings with associated PPI by contacted respondents

	Mort- gage	Secured loan	All unsecur ed loans	<i>Unse c loan – bank</i>	<i>Unsec loan - retail</i>	<i>Unsec loan – mail</i>	Credit card	Store card
No. of products	396	228	577	295	112	170	492	197
No. of currently held PPI policies	359	190	360	199	64	97	337	114
Per cent of credit products covered by PPI policy	91	83	62	67	57	57	68	58

In total, 62 per cent of respondents had taken out PPI in the past: half of these said they always took out PPI; the remainder took it out only occasionally. Seventy one per cent of all consumers with a secured loan (incl. rejectors), had

taken out PPI in the past, which was significantly higher than those with a mortgage (58 per cent) or a credit card (58 per cent). Table 4 shows the proportion of current PPI holders who held PPI in the past:

Table 4 Proportion of Credit product holders with PPI in the past

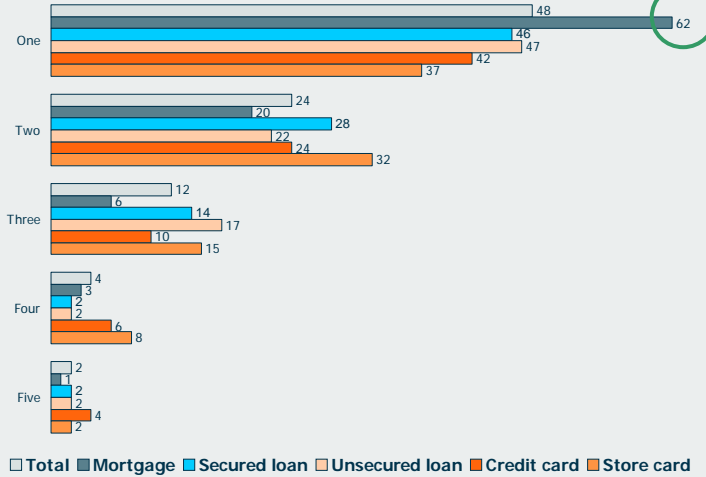
Credit Product with current PPI	Percentage with PPI in the past
Secured loan	72
Unsecured loans	67
Store cards	56
Credit cards	60
Mortgages	58

The proportion of current PPI rejectors who held a PPI policy in the past was lower across all product groups, ranging from 64 per cent for secured loans, 51 per cent for credit cards, 50 per cent unsecured loans, 47 per cent for store cards down to mortgages with 45 per cent.

Three quarters had one or two PPI policies in the past two years (Chart 1). About half had only one PPI policy in the last two years, more likely (62 per cent) if it was a mortgage holder.

Chart 1:
Mortgage holders are more likely to have only one PPI policy

Q5 Over the last two years, approximately how many times have you taken out PPI on loans, mortgages or credit cards, including your current product? %



Base: All respondents = 1131



Demographic profile

Generally woman appeared to be more likely than men to take out PPI, ranging from 54 per cent of credit card PPI holders being women, up to 72 per cent on store cards. Mortgage PPI tended to be held by younger (67 per cent being aged 25-44 years) couples or families, with the highest average household income out of all groups (£33,822) as well as the highest average savings across all groups (£6,586). Eighty seven per cent of mortgage PPI holders were working full time or part time, three per cent were retired, two per cent were students and seven per cent 'other not working'.

Customers who held secured loans PPI were predominantly married or living as married (75 per cent). These were couples or families who tended to be older than those with a mortgage – 63 per cent were aged between 35-54 – and they were least likely across all groups to have children under 16 living at home (49 per cent). Four in five (81 per cent) lived in a property they were buying on a mortgage and 85 per cent were working, leaving 15 per cent retired or 'other not working'. Their average annual household income was £29,018, just below the overall average of £29,815, and the average amount of their savings was £5,538, the second highest mean across all groups.

35-44 years was the main age group (32 per cent) of those with unsecured loan PPI, with a symmetrical spread of 33 per cent below 35 years and 33 per cent above 44 years old. Their average household income (£25,790) was the second lowest, below the overall average and they had the lowest average savings (£2,998) across all groups. With 79 per cent there were less people working in this group compared to mortgage PPI holders and secured loan PPI holders, and only 45 per cent were living in a property with a mortgage. Four per cent were pensioners and 16 were not working for other reasons. Just under two thirds (64 per cent) were married (or living as married), and over half (57 per cent) had children under 16 living at home.

Consumers with credit card PPI were spread more broadly across the age ranges with higher proportions than overall falling into the marginal ranges of 18-24 and 65+ years. Fifty nine per cent were married (or living as) – one of the lowest groups in terms of couples - of whom just over half (52 per cent) had children under 16 living at home. Eighty two per cent were working full or part time, 17 per cent retired or not working, one per cent students and their average household income was £30,173, the second highest across the five product groups, with average savings of £5,373.

Those with store card PPI formed the youngest of the five groups, and had the lowest average income. Seventeen per cent were between 18-24 years old. Their average income was £24,671 and their average savings were £3,116. Forty five per cent owned a property on a mortgage, while 39 per cent rented or lived with their parents. Fifty five per cent were married or lived as married, and 60 per cent had children under 16 living with them. This group also had the highest proportion of non-working customers (26 per cent).

With regards to the numbers of retired/ non –working consumers, we do not know whether they were classified as retired/ non –working when they took out their PPI, therefore no conclusions can be drawn on this. However, If this was the case, the product may have been mis-sold, as there is a possibility that they were not been taken through the checklist or have not been advised correctly that they were not covered if retired/ not working.

Comparing PPI holders and PPI rejectors, the latter seemed to have higher average income (£32,363 compared with £29,621), and their average savings were significantly higher (£9,266 compared with £5,024). Given that one of

the stated reasons for rejecting PPI was that respondents had sufficient income or savings to cover the debt (20 per cent), these differences are not unexpected.

5.2 Product purchase

In total 41 per cent shopped around for their credit product. Unsurprisingly, given the value and importance of mortgages within a consumer's financial life, the number of respondents who shopped around for their mortgage was significantly higher (64 per cent) than for all other credit products. This compared with 47 per cent for a secured loan, down to 10 per cent for a store card. A similar pattern was found in those who rejected PPI cover. The proportion of mortgage PPI rejectors who shopped around for their product was higher (at 82 per cent) and this was also true for unsecured loans (50 per cent), whereas only five per cent of store card PPI rejectors shopped around for store card PPI. However, due to the small bases (PPI rejector mortgage 11, sec. loan 11, unsec. loan 56, credit cards 53 and store card 19) these figures need to be treated with caution.

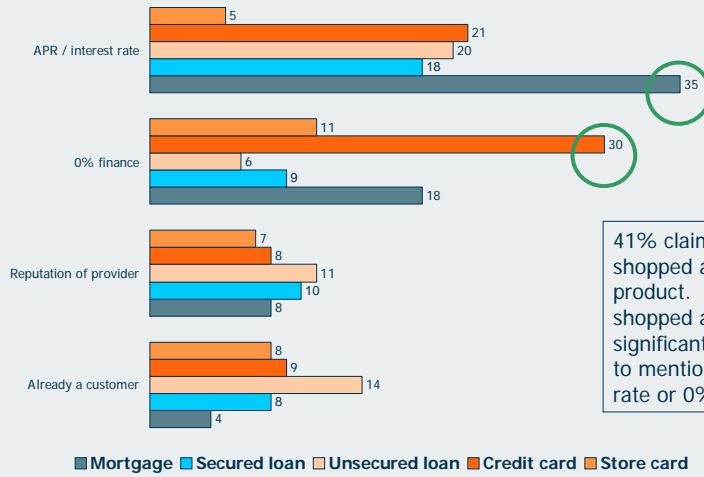
Across all credit product groups, APR / Interest rate was the reason most mentioned (22 per cent) for taking out that particular product, particularly for mortgages (35 per cent), followed by 0 per cent interest deal / 0 per cent finance (16 per cent), particularly for credit cards (30 per cent). The reputation of the provider and 'already being a customer/ having an account with them' each accounted for nine per cent overall. The key reason for taking out a store card was to get a discount in the store, and we know from other research that many consumers do not use store cards once this discount has been taken.

As Charts 2 and 3 show, the reasons for taking out the product varied highly in importance depending on the type of credit product.

Chart 2 Reasons for taking out (product) – top 4

Q3 What made you take out that particular (product)?

%



41% claimed to have shopped around for their product. Those who shopped around were significantly more likely to mention APR/interest rate or 0% finance

■ Mortgage ■ Secured loan ■ Unsecured loan ■ Credit card ■ Store card

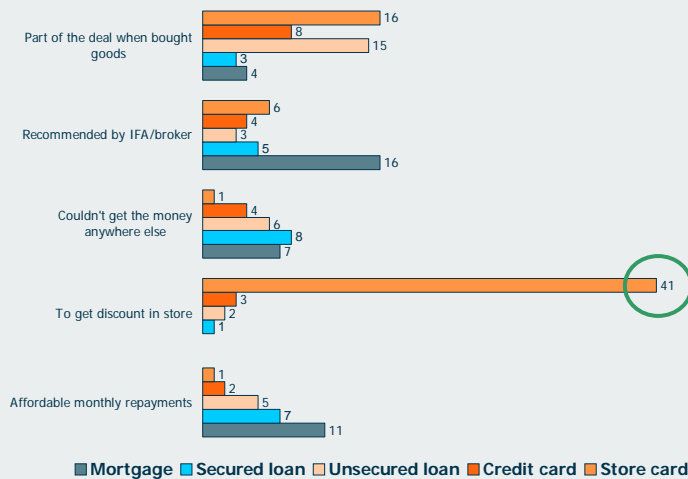
Base: All respondents = 1131

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Chart 3 Reasons for taking out (product) – next 5

Q3 What made you take out that particular (product)?

%

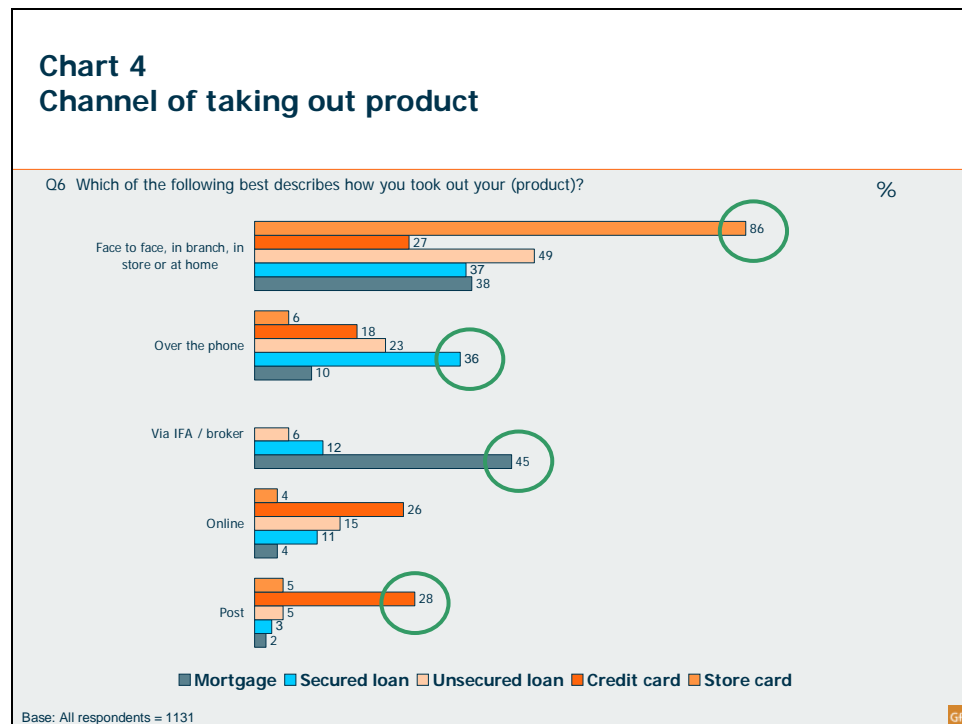


■ Mortgage ■ Secured loan ■ Unsecured loan ■ Credit card ■ Store card

Base: All respondents = 1131

GfK

The sales channel predominantly used varied according to the type of credit product purchased. Mortgages were mostly taken out via a broker or financial adviser or face to face in a bank or building society branch, whereas secured loans were predominantly purchased face to face or over the phone. Face to face was also the leading sales channel for unsecured loans as well as store cards, whereas a fairly even spread of sales channels applied to credit card holders. Chart 4 shows this in detail.



Eighty nine per cent of all respondents felt they had been given useful information beforehand, which enabled them to make an informed decision about which product to take out. Respondents with a mortgage or a secured loan gave the highest rating with 95 per cent and 94 per cent respectively. Despite being significantly less, 78 per cent of store cards customers and 86 per cent of unsecured loans customers found the given information useful, as did 89 per cent of the credit card holders. Asked what other information they would have wanted and didn't have, a third of all consumers stated 'nothing else'. With seven per cent, the highest overall mention was information on Interest rates / APR, followed by the size of the monthly payments (five per cent).

5.3 PPI purchase

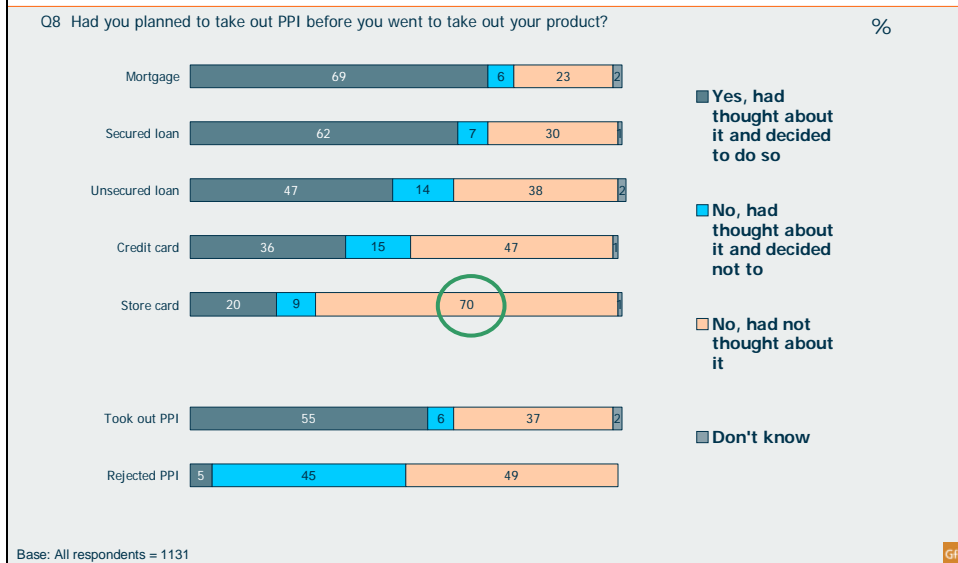
Almost nine in ten (88 per cent) of all consumers took out their Payment Protection Insurance at the same time as they took out their product, significantly more so with a secured loan (98 per cent) compared to all other credit products. The highest proportion of consumers who took out PPI subsequent to acquiring their product were those with a store card (22 per cent), followed by those with a credit card (14 per cent), both figures being significantly higher than the other three product groups. Of all those who purchased PPI after their product, 73 per cent chose to take out the PPI from the same provider.

There were slight differences by product but the numbers were too small for significance testing: 33 credit card holders chose the same provider as did 15 respondents with an unsecured loan or a store card. However, 12 mortgage holders opted for a different provider.

Nearly half (48 per cent) of all consumers who ever held a PPI policy stated that they only held one, with the proportion for mortgage holders being significantly higher (62 per cent) compared to all other product groups. Overall another quarter had held two policies in total, a further 12 per cent held three and a mere four per cent had held four policies so far. The average number of policies per person is significantly lower for mortgage holders compared to all other credit product groups.

Chart 5 shows the intention to take out PPI before the product purchase. Overall around half (49 per cent) had planned to take out PPI on their credit product, whereas 39 per cent had not even thought about it. Consumers with a mortgage or secured loan had a significantly higher intention initially, whereas the majority of store card holders had not thought about taking out PPI.

Chart 5 Whether had planned to take out PPI



Of those who took out their PPI subsequent to acquiring the product, 35 per cent had intended to do so before they bought the product, whereas a significantly higher percentage (52 per cent) had not thought about it beforehand.

The majority of PPI holders (91 per cent) said they paid their premiums on a monthly basis. Two per cent believed that they paid weekly, three per cent yearly and a further three per cent said they paid a one-off fee. Weekly payments seemed to be slightly more common with unsecured loans, mentioned by four per cent compared to one per cent or zero per cent for all other credit products. Seven per cent of credit card holders paid annually and another five per cent a one-off fee.

More than half (53 per cent) did not know or could not remember how much they paid per month (Chart 6).

Chart 6 Over half of those paying for their PPI on a monthly basis do not know how much they are paying

Q25 How much do you pay for your PPI each month?

%



Base: All paying for PPI on a monthly basis = 867

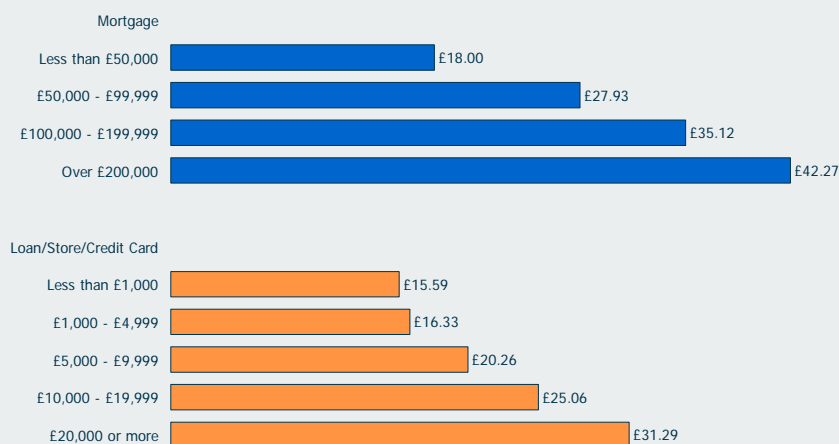
GfK

Of those paying weekly (16 respondents), five said they paid up to £20 but ten did not know how much they paid.

The monthly premiums stated by those who did recall increased with the value of the underlying product (Chart 7). Holders of mortgages worth up to £50,000 paid an average of £18.00 per month. £50,000 to £100,000 mortgage owners spent just under £30.00 per month on their PPI and around £35.00, if they held a mortgage of £100,000 to £200,000. For those with mortgages over £200,000 the average monthly rate came to ca. £42.00. Similar for those with loans or cards, the amount spent on PPI increases with the value of the underlying product. For products worth up to £5,000 the average payment lay around £16.00. Holders of card/ loans of £5,000 to £10,000 paid £20.00 on average, £25.00 for products worth £10,000 to £20,000. For those who held cards/ loans of over £20,000 the mean PPI cost was just over £30.00.

Chart 7 Monthly PPI premiums increase with the value of the underlying product.

Q25/C1 How much do you pay on your PPI each month by value of product – mean values



Base: All with current PPI policy = 867

GfK

Six respondents of the 25 paying annually spent up to £20, another six between £21-£40, leading to an average of £24.29 but ten consumers were unaware of how much their annual premium was. Because of the small bases these figures as well as the following have to be treated with caution.

Three in five of the 27 respondents who paid a one-off fee could not remember how much their PPI cost them. 15 per cent claimed it was up to £20, 11 per cent said between £21-£40 and a further 15 per cent paid over £41, giving an overall average of £30.

5.4 Consumer understanding & behaviour

Peace of mind was the main reason mentioned across all product groups for taking out a PPI policy. Fewer store card holders felt they had to protect their payments, which is consistent with many using their store card only once, but more believed that their PPI came with the product. Mortgage holders worried significantly more that they might not be able to meet their commitments if their circumstances changed, compared to those with a secured loan, a store card or a credit card, and again given the importance of mortgages, this is perhaps not surprising. Charts 8 and 9 show the main reasons given in detail.

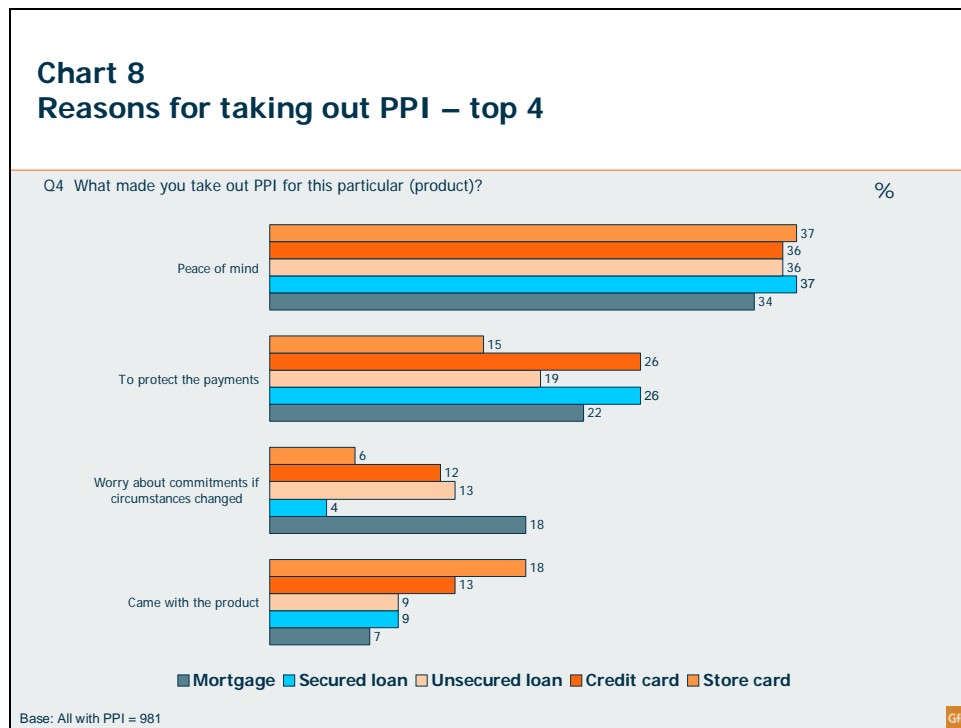
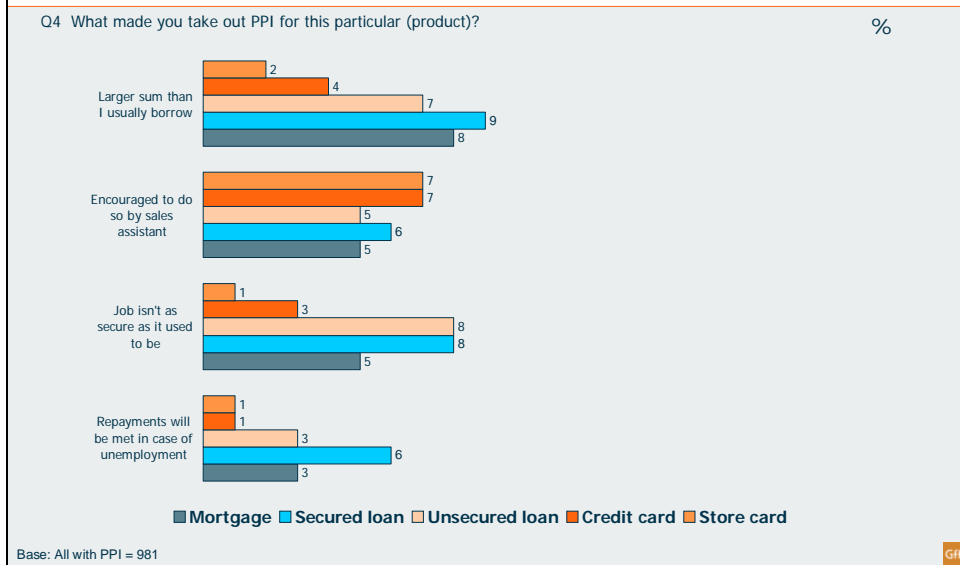
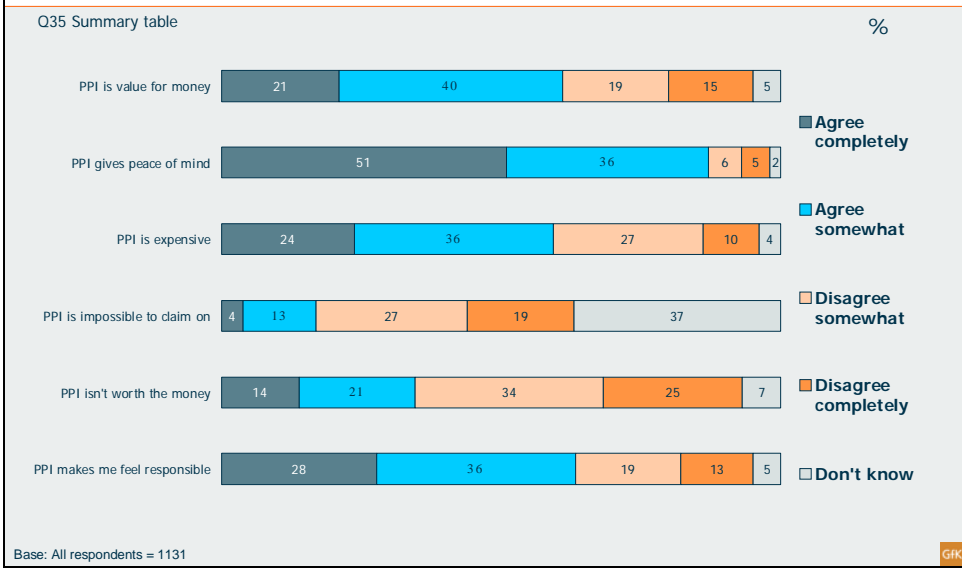


Chart 9 Reasons for taking out PPI – next 4



In order to get an idea about consumers' perception on PPI, everybody was asked to state whether they agreed or disagreed (and to what extent) with several words and phrases used to describe PPI. Chart 10 shows the overall perception, which appears to be generally positive, although half did agree that PPI is expensive. There were only slight variations between the groups. A slightly higher proportion of mortgage and store card holders see PPI as being value for money as well as being worth the money and fewer secured loan holders believe that PPI is impossible to claim on.

Chart 10
How much do you agree or disagree with ...



The respondents were asked what they would do if the cost of their PPI were to increase by 10 per cent. 42 per cent responded that they would actively look for a different provider. 57 per cent of mortgage holders gave this reply, a significantly higher proportion compared to all other product groups. Overall, one in five would consider cancelling their PPI and not being insured, with 35 per cent of store card and 27 per cent of credit card holders considering this. 14 per cent would think about an alternative type of insurance and were prepared to do some research and check online, since they were unaware of what the alternatives might be. A substantial minority of 22 per cent said that they would not do anything.

84 per cent of all consumers who ever held a PPI policy have never tried to cancel it but 14 per cent had done so, successfully. It seems that rejectors of PPI for their current credit product have made more use of their cancellation rights compared to PPI holders across all product types. However, this cannot be statistically supported due to the very small bases. Of the 150 respondents who successfully cancelled their PPI policy only 16 per cent (24 respondents) then switched to another PPI provider. Switchers were more likely to be mortgage holders (15 respondents) compared to all other product type holders

(credit card six, secured loans two, store cards one, unsecured loans no respondents).

Only 19 customers (two per cent) had tried, but not succeeded in cancelling their policy. The reasons for this were too high redemption penalties, expired cancellation period or other individual circumstances.

Those who had successfully cancelled a PPI policy were asked why they had done this. The main reasons were cost (43 per cent claimed it was too expensive) and change in situation (39 per cent). Seven per cent came into some money, five per cent believed they were already covered and a further five per cent considered it a waste of time.

Of the 32 consumers (three per cent) who had ever asked for a refund on a PPI policy, over two thirds (22 respondents) were satisfied with the outcome and nine who were not. The reasons for their dissatisfaction were that they had not received a refund, or had been refunded only partially, that it took a long time to resolve the refund and that the company was generally unhelpful.

5.5 Information provision & availability

Most respondents (87 per cent) did not shop around for their PPI. The 12 per cent who did so tended to be mortgage holders. Twenty six per cent of those with a mortgage shopped around, significantly more than those with secured loans (13 per cent) and both figures were significantly higher compared to all other product groups (unsecured loans: five per cent, credit cards: five per cent, store cards: three per cent).

Eighty two per cent of those who did shop around found it easy to compare PPI products, although those with a credit or store card seemed to find it less easy (62 per cent and 67 per cent respectively) than those with a mortgage (87 per cent), secured loan (84 per cent) or unsecured loan (82 per cent).

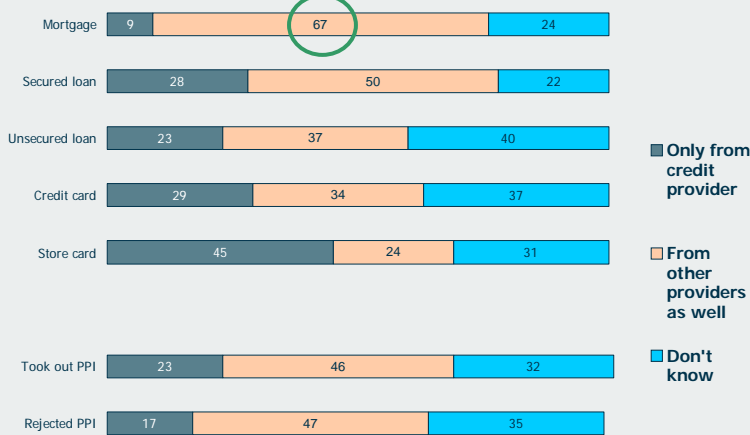
Of all respondents, 46 per cent were aware that PPI can be purchased from providers other than the product provider, whereas 22 per cent believed it needed to be bought from the same provider and 32 per cent did not know. (Chart 11). Mortgage holders were significantly more aware about the availability of PPI from different providers than holders of all the other credit products. PPI on cards can only be purchased from the same provider, but only

a quarter of store card holders and three in ten (29 per cent) of credit card holders were aware of that.

Chart 11

Significant minority do not know where they can get PPI from

Q11 Do you know whether you can get PPI only from the provider or the finance or card when you take this out, or from other providers as well? %



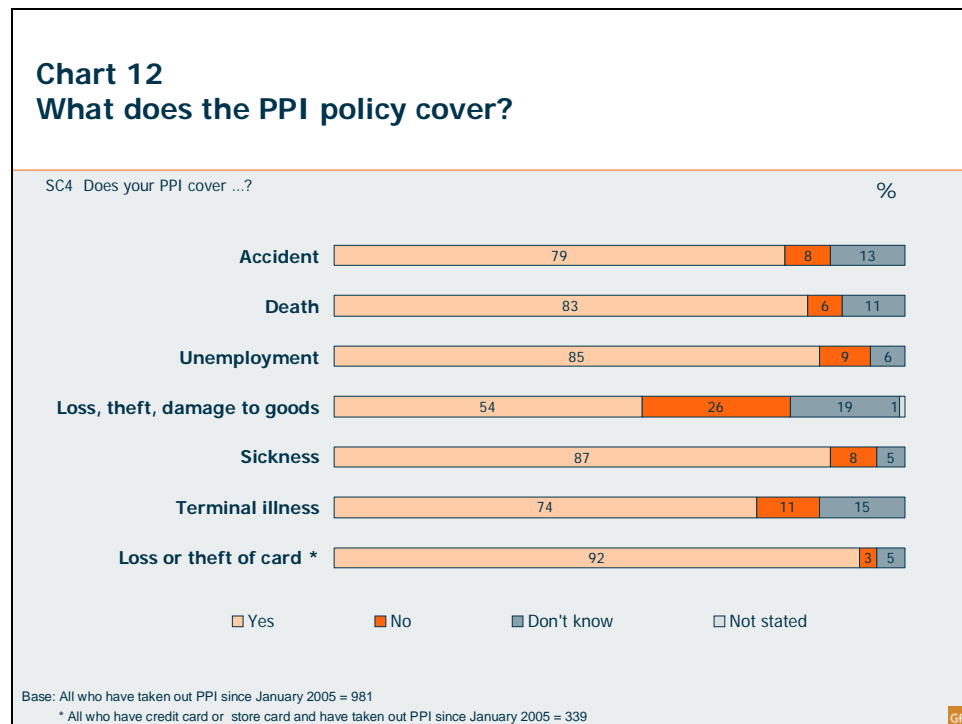
Base: All respondents = 1131



Three quarters of PPI holders (75 per cent) were advised of the approximate cost of the insurance separately to their repayments and interest, whereas 10 per cent were only shown one amount and another eight per cent were not advised on the cost at all. Fifty two per cent of store card holders claimed that they were shown the cost separately, significantly less compared to all other product groups. Twenty one per cent of store card holders said the cost weren't discussed and so did 13 per cent of credit card holders, both proportions significantly higher than the other credit groups.

In order to understand how knowledgeable PPI holders were about their policy, they were asked whether their policy covered them for several different circumstances. Overall they did not seem to know in great detail what their policy covered (Chart 12). In general they believed that their PPI policy covered them for more situations than is in fact the case. The core aspects of cover (accident, sickness and unemployment) were identified correctly by the majority. Significantly more card holders (79 per cent store card and 70 per cent credit card holders) thought they were covered against loss, theft or damage to goods purchased, but saying that nearly half of the mortgage and loan holders believed they were covered against this. In addition, 92 per cent of all store card and

credit card holders thought that they were covered for the loss of their card as part of their PPI.



Of all current PPI holders, two-thirds (68 per cent) believed they understood the PPI benefits within the term and conditions either completely or mostly. However, only half of store card holders (52 per cent) claimed this level of understanding, a significantly lower proportion compared to all the other product groups. There was a significantly higher number of store card holders who felt they understood only partially.

When asked whether their policy contained any exclusions, just over a quarter (27 per cent) answered correctly in the affirmative, whereas 34 per cent thought it did not and 38 per cent did not know (Chart 13). Those who had made a claim on a PPI policy were rather more aware of exclusions, with just under two in five (39 per cent) saying that their policy did contain exclusions.

Chart 13 Almost two in five were unaware whether their policy contains any exclusions

Q32a Can you tell me if your policy contains any exclusions? %



Base: All with PPI = 981

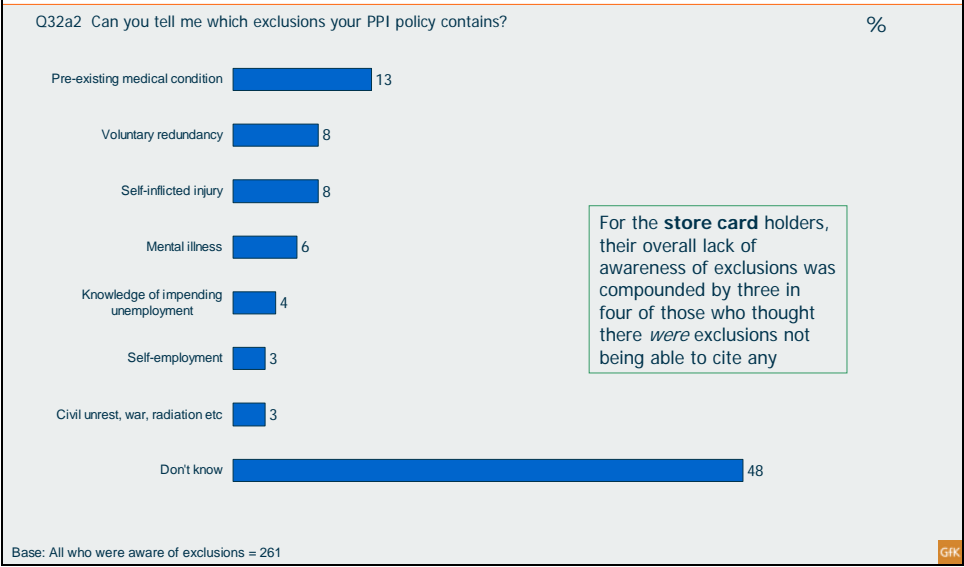
GfK

The percentage of store card holders who did not know whether the policy contained exclusions came to 55 per cent, significantly higher than for all other groups. Those who were aware of exclusions were then asked to state what these exclusions were, but half (51 per cent) could not name any.

Of those who were aware of exclusions in their policy, 38 per cent mentioned only one exclusion and nine per cent mentioned two. Pre-existing medical conditions were mentioned most frequently by 13 per cent, followed by voluntary redundancy (eight per cent) and self-inflicted injury (eight per cent) (Chart 14).

Chart 14

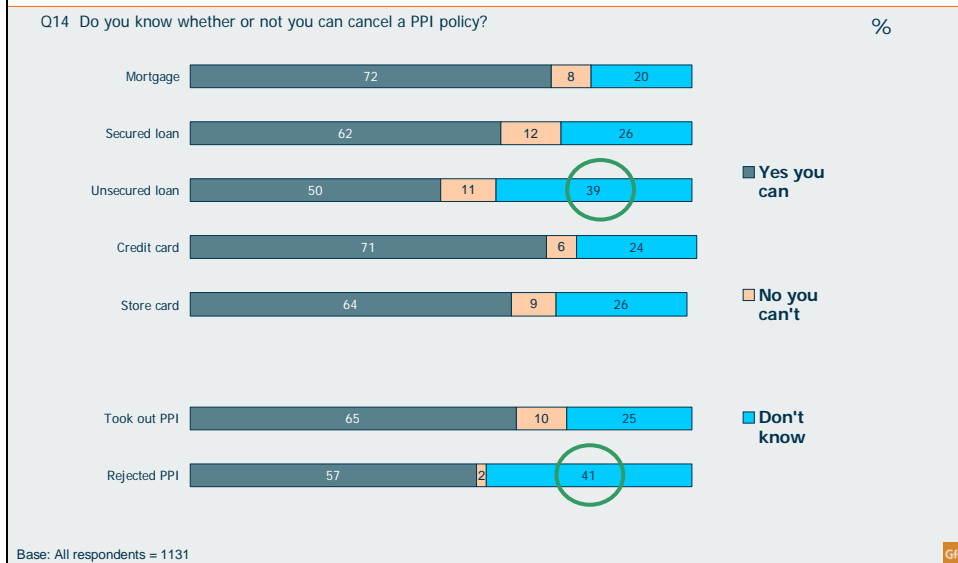
Of those who said that their policy contains exclusions, almost half were unable to say what these were



When asked how long they would have to wait after taking out their PPI before they could make a claim, the majority said they did not know (62 per cent). The time frame most frequently mentioned was three or four weeks with nine per cent, followed by three months with seven per cent.

Chart 15 shows the respondents' awareness of whether they could cancel a PPI policy once they had taken it out. Overall two-thirds (64 per cent) said they knew about their cancellation rights, whereas nine per cent stated they could not cancel it and over a quarter did not know. Split by product type, mortgage holders and credit card holders were more aware they could cancel whereas only 50 per cent of those with an unsecured loan knew, which was significantly less than the other product groups.

Chart 15 In total, over a quarter don't know whether a PPI policy can be cancelled



5.6 Sales process

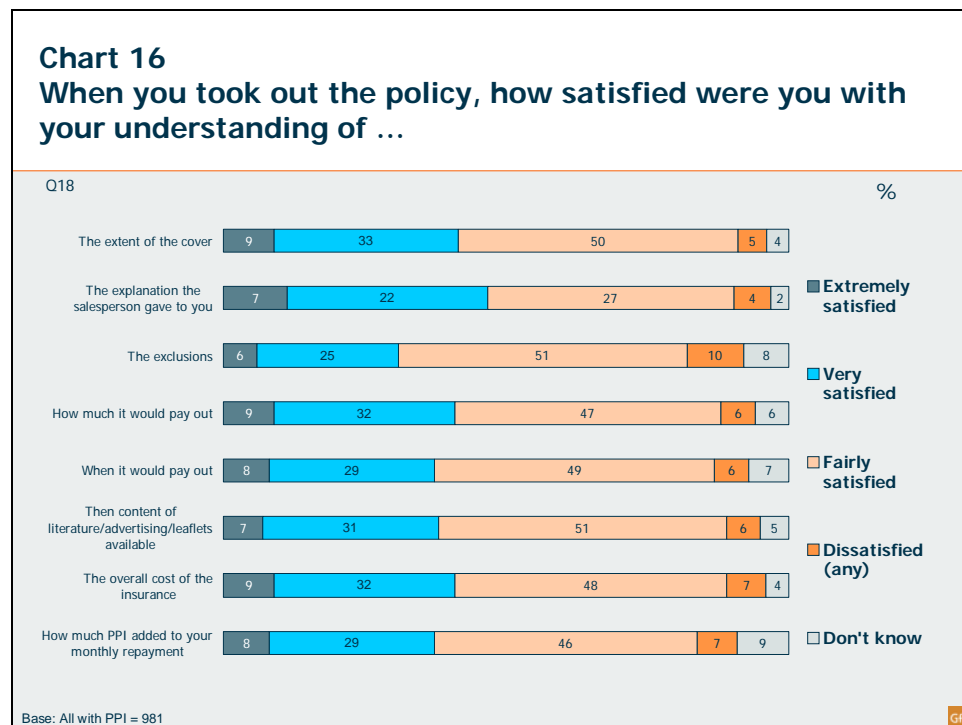
We asked respondents whether they had received the impression (or had been told) that taking out the PPI policy would help their product application. Two-thirds (68 per cent) of all respondents did not think it would help their product application if they took out PPI. Of those with a credit card, 73 per cent did not believe that taking out PPI would help their application, significantly more than those with an unsecured loan at 63 per cent.

One in five respondents (19 per cent) assumed that taking out the insurance would help their application, and four per cent said that the lender had hinted this it would help, with a further four per cent saying that the lender had specifically stated that this was the case. If we aggregate this up to the population, this would mean that 280,000 holders had received hints, and a similar number had been told, that taking out PPI would favourably affect the decision about their credit. A fifth of those who had ever claimed against a PPI policy assumed that taking out PPI would help their cause, and eight per cent of claimants said that this had been hinted at by the lender, with five per cent saying that the lender had stated this.

Three in five respondents (61 per cent) said that they were taken through a checklist to see if they were eligible for PPI cover. A significantly higher number of secured loan holders (77 per cent) and mortgage holders (73 per cent) were taken through a checklist compared to the other groups, possibly because they were more likely to have purchased from a person rather than remotely due to the nature of the products. A quarter of all PPI holders (26 per cent) claimed they were not checked for eligibility, 10 per cent could not remember and three per cent did not know.

5.7 Understanding the terms of the PPI

All the respondents were asked to express their level of satisfaction with their understanding of different aspects of their PPI policy (Chart 16). For the majority of attributes, levels of dissatisfaction were less than one in ten : the exception to this was the understanding of the policy exclusions. In general, over a third of respondents said they were extremely or very satisfied with their understanding of each aspect. Around half were fairly satisfied.



Looking at each statement in detail one can see differences. For all statements bar one (the understanding of the content of the literature) unsecured loan holders were generally less satisfied : this was particularly true when it came to understanding the overall cost. Secured loan and mortgage holders tended to be more satisfied than the other groups, with generally higher mean scores for all statements. Store card holders were less satisfied when it came to understanding information, both in terms of what was covered and the content of the brochures, as well as the exclusions. Credit card holders were less satisfied with cost-related issues, such as understanding the monthly cost, how long the policy would pay out for and the amount it would pay out.

5.8 Satisfaction with the sales process

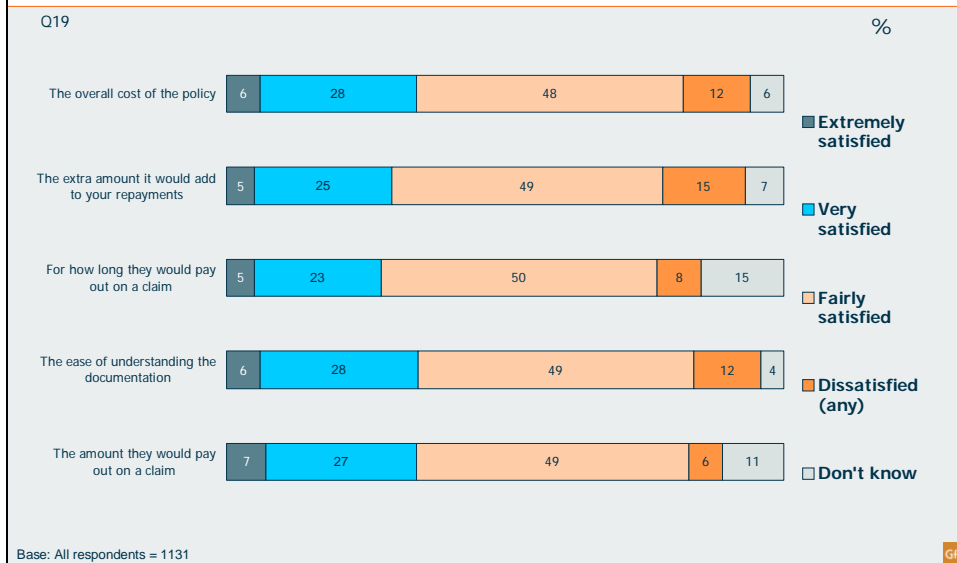
Overall nine in ten (91 per cent) were satisfied with the way in which the salesperson explained the PPI policy to them. The level of satisfaction was significantly higher for mortgage holders (mean 2.40, where extreme satisfaction = 5 and extreme dissatisfaction = -5) compared to store card holders (mean 1.72), credit card holders (mean 1.84) and those with an unsecured loan (mean 1.89). Secured loan holders also stated a level of satisfaction (mean 2.07) above the overall average (mean 2.00).

5.9 Satisfaction with the PPI product

Satisfaction ratings for various aspects of their PPI were generally good, with a small minority of respondents being dissatisfied (Chart 17). The ease of understanding the document achieved the highest rating with 84 per cent being satisfied with this, whereas the length of payment on a claim received the lowest rating, still with a majority of 77 per cent. Attributes associated with cost tended to get the highest levels of negative endorsement (15 per cent dissatisfied with the amount the PPI would add to the repayments and 12 per cent dissatisfied with the overall cost).

However, as mentioned in sections 5.5 and 5.7 the lacking awareness of the policy's coverage and exclusions made clear that for many their knowledge and understanding of the terms of the policy in general was limited.

Chart 17
How satisfied were you with ...



Comparing the ratings between the product groups, again certain differences become clear. Generally across the attributes those with a secured loan or a mortgage were more satisfied, proportion wise within their groups as well as stating a higher level of satisfaction. On the other hand unsecured loan and credit card holders had generally a higher number of dissatisfied respondents as well as their level of dissatisfaction being higher.

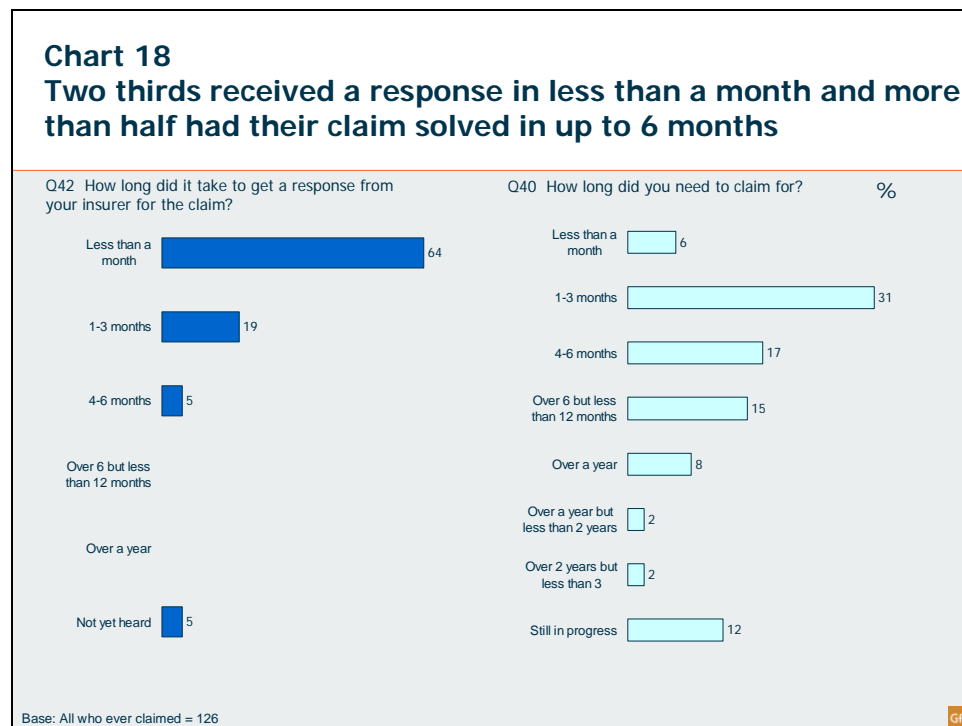
Taking into account all aspects of the PPI policy, the respondents were asked to rate their PPI policy overall. Fifty per cent said that they were either extremely or very satisfied, with a further 44 per cent fairly satisfied. Secured loan holders gave the highest level of satisfaction (54 per cent extremely or very satisfied, 96 per cent overall satisfied) and the card holders were least satisfied (44 per cent of store card holders and 45 per cent of credit card holders extremely or very satisfied), but no significant difference could be found between any of these groups.

Overall, four per cent (42 respondents) were dissatisfied with their PPI. The main reason for this was the cost of the PPI, which was mentioned by 40 per cent (17 people). A third (14 respondents) said that they lacked sufficient

information and explanation on the insurance. A further 12 per cent (5 respondents) stated that their claims were not honoured or paid out.

5.10 PPI claimants

Of all consumers interviewed, only 38 had claimed since January 2005. To ensure sufficient numbers for analysis purposes, we included those who said they have ever claimed on a PPI policy, which then added up to 126 claimants. Twelve per cent of all respondents had ever claimed on a PPI policy; about a third of these (32 per cent) on their current product and over half (56 per cent) previously in the past. Two in five (41 per cent) claimed because of long term sick leave, a quarter (25 per cent) because of unemployment and 16 per cent as the result of an accident. Chart 18 outlines the period of time claimants said they had to wait for an initial response from their provider and the overall period of time until the claim was solved. Two-thirds (64 per cent) had a reply from their provider in less than a month. One third (31 per cent) stated it took between one and three months before the claim process was completed.



Sixty three per cent of all claims were accepted and a quarter (25 per cent) rejected. Two in five (41 per cent) had their claim rejected because they did not meet the criteria, i.e. tried to claim for something that was not covered (such as an ongoing medical condition), which indicated that they either had forgotten what the policy covered or that they had not been informed correctly. However, looking at those whose claim was rejected, there was no indication that there were fewer who had been taken through an eligibility checklist than those whose claim was accepted. A further 13 per cent had not reached the initial time limit required before claims could be made.

Overall two-thirds (64 per cent) were satisfied with the outcome of the claim. Not surprisingly those whose claim was rejected were more dissatisfied (84 per cent) than those whose claim was accepted (five per cent). The main reasons for their dissatisfaction were that they were not paid, they did not meet the criteria or that they were under the time limit for a claim, all of which could be summed up to an overall rejection of their claim.

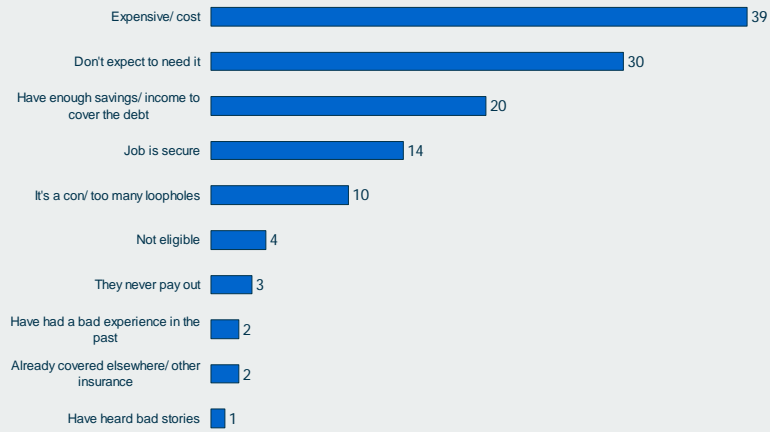
5.11 PPI rejectors

The cost of PPI was the main reason for not taking it out with two in five (39 per cent) rejectors citing this (Chart 19). However, there was also a sizeable proportion who could not see the necessity for PPI, either because they just did not expect to need it or because they believed they had sufficient savings or a secure job which would allow them to cover their debt. Most of the reasons for rejecting PPI were pragmatic (cost or necessity driven), however one in ten (10 per cent) said they had not taken it out because they believed it was 'a con'.

Nine in ten of the respondents had not claimed on a PPI policy in the past. Of those who did, the majority (81 per cent) had their claim met within three months. Over half (56 per cent) said they were satisfied with the outcome. Seven claimants were dissatisfied, mainly because their claim was rejected.

Chart 19 One in ten thinks PPI is a con with too many loopholes

Q51 Can you please tell me why you didn't take out PPI on your product? %



Base: All who rejected taking out PPI = 150

GfK

6 APPENDIX

J153289 PPI Research

Quantitative questionnaire – POST PILOT –

We are conducting a survey for the Office of Fair Trading, about borrowing and repayment protection. The OFT is a government body whose role is to look after the interests of consumers. SAY IF NECESSARY : The survey will be used by the OFT to understand more about why people do or do not take out insurance to cover repayments on loans and other borrowings, and to understand the circumstances in which this insurance is bought and the experiences consumers have had. FOR OMNIBUS / FRS LEADS :

You recently took part in one of our surveys and agreed that we could call you back to ask you some more questions.

FOR ALL :

The survey will last no more than 15 minutes and we would be grateful for your help. Please be assured that your answers will remain confidential and you will not be approached by anyone trying to sell you anything as a result of taking part in this survey.

Continue

Arrange callback

Refused

SC1 : Firstly can I just check whether you have taken out any of these products since January 2005?

READ OUT, ROTATE, NOTE ALL THAT APPLY

INTERVIEWER NOTE : A SECURED LOAN IS A LOAN WHICH IS SECURED AGAINST A HOME OR OTHER ASSETS (EG A CAR) THAT YOU OWN. THIS HOME OR ASSET IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON THE LOAN. AN UNSECURED LOAN IS NOT SECURED AGAINST AN ASSET THAT YOU OWN.

IF RESPONDENT SAYS 'REMORTGAGE', PLEASE CODE AS 'MORTGAGE'.

Mortgage

Secured loan or second mortgage

Unsecured loan from a bank or building society

Unsecured loan from a car garage or retailer

Unsecured loan or credit from a catalogue or mail order

Credit card

Store card

None of these – THANK AND CLOSE

Don't know – THANK AND CLOSE

FOR ALL POSITIVE RESPONSES AT SC1 :

SC2 : And can I confirm whether or not you took out payment protection insurance on your (product at SC1). Payment protection insurance (also known as PPI) covers repayments in case you have an accident, become sick or unemployed.

PROBE TO PRECODE

Yes, and still have – ASK SC3

Yes, but cancelled it - ASK SC3
Yes, it was offered but I wasn't eligible – THANK AND CLOSE
Yes, I was aware of it but I can't remember if it was offered or not. THANK AND CLOSE
No, was offered and rejected it – GO TO Q1
No, wasn't offered it but was aware of it – GO TO Q1
No, not aware of it - THANK AND CLOSE

ASK FOR ALL POSITIVE RESPONSES AT SC2 :

SC3 : And have you made a claim on your PPI on your (product) since January 2005?

Yes

No

ONLY ASK ABOUT ONE PRODUCT.

ALL CLAIMANTS (YES AT SC3) SHOULD BE INTERVIEWED

FOR NON CLAIMANTS, PRIORITISE PRODUCTS AS FOLLOWS :

IF SAY SECURED LOAN OR SECOND MORTGAGE, ASK ABOUT THIS, OTHERWISE :

IF SAY STORE CARD, ASK ABOUT THIS, OTHERWISE :

IF SAY MORTGAGE, ASK ABOUT THIS, OTHERWISE :

IF SAY UNSECURED LOAN, ASK ABOUT THIS, OTHERWISE :

IF SAY CREDIT CARD, ASK ABOUT THIS

ASK SC4 OF FIRST PRIORITY PRODUCT. IF SCREENS OUT, THEN GO TO SECOND PRIORITY PRODUCT, AND SO FORTH

SC4 : Which of these does your payment protection insurance cover?

RO, ROTATE, ENSURE RESPONSE TO EACH CODE

Accident

Death

Loss or theft of your card (if product = credit card or store card)

Unemployment

Loss, theft or damage to goods purchased

Sickness

Terminal illness

Yes

No

Don't know

MUST SAY YES TO ANY OF ACCIDENT, UNEMPLOYMENT OR SICKNESS TO CONTINUE

MAIN QUOTAS :

SECURED LOANS 100 (min)

STORE CARD 100 (min)

MORTGAGE 267 (max)

UNSECURED LOAN 267 (max)

CREDIT CARD 266 (max)

REJECTORS 150 (AIM FOR A SPREAD OF PRODUCTS)

CLAIMANTS 150 (MAY BE OVERLAP WITH PRODUCT QUOTAS. IF CLAIMANT RESPONDENT'S PRODUCT QUOTA IS FULL BUT RESPONDENT HAS CLAIMED, CONTINUE). IF CLAIMANT QUOTA IS FULL, CONTINUE FOR ORDINARY PRODUCT QUOTA

MAIN QUESTIONNAIRE

ASK ALL

Q 1 : Have you taken out payment protection insurance in the past?

IF YES, PROBE TO PRECODE

- Yes, always do
- Yes, but not always
- No, never
- Don't know

ASK ALL

Q2 : Thinking now about your (quota product). Which company is your (product) with?

DO NOT READ OUT. SINGLE CODE

List for mortgages :

- Abbey (National)
- Alliance & Leicester
- Bank of Scotland
- Barclays
- Birmingham Midshires
- Cheltenham & Gloucester
- Halifax
- HSBC
- Lloyds TSB
- Nationwide
- NatWest
- Northern Rock
- Royal Bank of Scotland (RBS)
- Woolwich
- Other (specified)
- Don't know

List for credit cards :

- Barclaycard / Barclays
- Capital One
- Egg
- Halifax
- HSBC
- Lloyds TSB
- Marks & Spencer
- MBNA
- NatWest
- Tesco
- Virgin / The One Account
- Curry's Dixon
- PC World
- DFS
- Comet
- Other (specify)
- Don't know

List for store cards :

Argos
British Home Stores / BHS
Burtons
B & Q
Debenhams
Dorothy Perkins
Homebase
House of Fraser
IKEA
John Lewis / Peter Jones / Waitrose
Marks & Spencer
Mothercare
Next
Topshop
Other (specify)
Don't know

List for unsecured loans – banks or building societies

Abbey (National)
Alliance & Leicester
Bank of Scotland
Barclays
Direct Line
Egg
Halifax
HSBC
Lloyds TSB
Lombard Direct
Nationwide
NatWest
Ocean Finance
Provident Financial
Royal Bank of Scotland (RBS)
Sainsburys Bank
Shopacheck
Tesco Financial Services
Virgin Money
Yorkshire Bank
Other (specified)
Don't know

List for unsecured loans – car garages or retailers

Comet
Currys
DFS
Dixons
Ford Finance
GM Vauxhall
Hitachi Credit
Marks & Spencer
Nissan

PC World
Peugeot
Renault
Volkswagen
Other (specify)
Don't know

List for unsecured loans – catalogue or mail order

Argos
Empire
Freemans
Grattan
GUS Home Shopping
Kays
La Redoute
Lakeland
Littlewoods
Next Directory
Other (specify)
Don't know

List for secured loans or second mortgages

Abbey (National)
Alliance & Leicester
Bank of Scotland
Barclays
Direct Line
Easy Loans
Egg
Halifax
Norton Finance
Ocean Finance
Provident Financial
Purple Loans
Royal Bank of Scotland (RBS)
Sainsburys Bank
Tesco Financial Services
Virgin Money
Yorkshire Bank
Other (specified)
Don't know

ASK ALL

Q3 : What made you take out that PARTICULAR (quota product)?

DO NOT READ OUT, PROBE FULLY

APR / interest rate
0% interest deal / 0% finance
Affordable monthly repayments
Reputation of provider
Recommended by financial adviser or broker
Recommended by friends / family

TV / radio / press advertisement
To get discount in store
Couldn't get the money from anywhere else
Part of the deal when I bought the goods
Other (specify)
Don't know

ASK IF SC2 = 1 OR 2

Q4 : Why did you decide to take out PPI for this particular (quota product)?

DO NOT READ OUT, PROBE FULLY

First time I've borrowed
Peace of mind
Larger sum than I usually borrow
My job isn't as secure as it used to be
Now have a partner / child / dependents
Felt as though I had to, to get the (product)
Felt pressured to do so
It came with the (product) / all part of the deal
I was encouraged to do so by the sales assistant
To protect the payments
Worry that if your circumstances changed, you might not be able to meet all your commitments
Worry that you would have additional costs if you went into hospital
Worry that you might be involved in an accident and be unable to work
Loan / mortgage / card will be paid off
Repayments will be met in case of illness
Repayments will be met in case of death
Repayments will be met in case of unemployment
Value for money
Other (specify)
Don't know

ASK THOSE SAYING YES, ALWAYS DO OR YES, BUT NOT ALWAYS AT Q1

Q5 : Over the last two years, approximately how many times have you taken out payment protection insurance on loans, mortgages or credit cards, including your current (quota product)?

INTERVIEWER : IF RESPONDENT SAYS DON'T KNOW OR CAN'T REMEMBER, PROMPT THAT FIGURE ONLY NEEDS TO BE APPROXIMATE

One
Two
Three
Four
Five
Six to ten
Eleven to Twenty
More than twenty
Don't know
Can't remember

ASK ALL

Q6 : Now thinking about your most recent (product), which of the following best describes how you took it out?

READ OUT

Face to face in a bank or building society branch or store, or at home
Over the phone
Online
By post
Via a broker or financial adviser
Other (specify)
Don't know - DNRO

ASK ALL

Q6a : Did you shop around for your (product)?

Yes
No
Don't know

ASK ALL

Q6b : Thinking about any information which was provided to you before you took out your (product), how useful was this in enabling you to make an informed decision?

INTERVIEWER : PROBE FOR WHETHER USEFUL OR NOT, AND THEN FOR LEVEL

Very useful
Fairly useful
Not very useful
Not at all useful
Wasn't given any information
Don't know

ASK ALL

Q6c : What other information, if any, did you want or need before taking out your (product), that you didn't have?

TAKE DOWN VERBATIM
Nothing
Don't know

ASK IF SC2 = 1 OR 2. OTHERS GO TO Q8

Q7 : You say that you took out payment protection insurance. Did you take this out ...?
READ OUT, ROTATE FIRST TWO CODES

At the same time you took out the (product)
After you took out the (product)
Don't know - DNRO
Can't remember - DNRO

ASK ALL

Q8 : Had you planned to take out PPI before you went to take out your (product)?
IF NO, PROBE TO PRECODE

Yes, had thought about it and decided to do so
No, had thought about it, but had decided not to

No, had not thought about it
Don't know

ASK IF Q7 = 2. OTHERS GO TO INSTRUCTION OVER Q9A

Q9 : And did you get the PPI from the same credit provider from whom you took out the (product)?

Yes
No
Don't know

ASK IF SC2 = 1 OR 2. OTHERS GO TO Q11

Q9a : Did you shop around for the PPI?

Yes
No
Don't know

ASK IF Q9A = YES. OTHERS GO TO Q11

Q10 : How easy or difficult was it to compare PPI products?

INTERVIEWER : PROBE FOR WHETHER EASY OR DIFFICULT, AND THEN FOR LEVEL

Extremely easy
Very easy
Fairly easy
Fairly difficult
Very difficult
Extremely difficult
Don't know

ASK ALL

Q11 : Do you know whether you can only get PPI from the provider of the finance or card when you take this out, or can you get it from other provider as well?

SINGLE CODE

Only from the provider when you take out the finance or card
From other providers as well
Don't know

NO Q12

ASK ALL

Q13 : At the time you applied for the (product) did you think it would help your application if you took out PPI?

IF YES, PROBE TO PRECODE

Yes – I assumed
Yes – hinted at by the lender
Yes – stated by the lender
No
Don't know

ASK ALL

Q14 : Do you know whether or not you can cancel a PPI policy?
IF NO, PROBE FOR 'NO YOU CAN'T' VS DON'T KNOW

- Yes, you can
- No, you can't
- Don't know

ASK IF SC2 = 1 OR 2 Q1 = 1 OR 2. OTHERS GO TO Q18

Q15 : Have you ever tried to cancel a PPI policy?

IF YES, PROBE TO PRECODE

- Yes, successfully
- Yes, but not successfully
- No
- Don't know

ASK IF Q15 = 1. OTHERS GO TO INSTRUCTION OVER Q17

Q16 : Why did you cancel that policy?

DO NOT READ OUT, PROBE FULLY

- Situation changed
- Came into some money
- Too expensive
- Other (specify)
- Don't know

Q16a : Once you'd cancelled that policy, did you switch to another PPI provider?

- Yes
- No
- Don't know

ASK IF Q15 = 2. OTHERS GO TO Q18

Q17 : Why didn't you cancel the policy?

DO NOT READ OUT, PROBE FULLY

- Cancellation period expired
- Redemption penalties were too high
- Other (specify)
- Don't know

ASK IF SC2 = 1 OR 2

Q18 : Thinking back to when you took out the policy, how satisfied were you that you understood...

READ OUT, ROTATE

INTERVIEWER : PROBE FOR WHETHER SATISFIED OR DISSATISFIED, AND THEN FOR LEVEL

- ...The extent of the cover
- ...The explanation the salesperson gave to you (if code 1 or 2 at Q6)
- ...The exclusions
- ...How much it would pay out
- ...When it would pay out
- ...The content of literature / advertising / leaflets available
- ...The overall cost of the insurance
- ...How much PPI was added to your monthly repayment

Extremely satisfied
Very satisfied
Fairly satisfied
Fairly dissatisfied
Very dissatisfied
Extremely dissatisfied
Don't know

ASK ALL

Q19 : And how satisfied were you with each of THESE factors?

READ OUT, ROTATE

INTERVIEWER : PROBE FOR WHETHER SATISFIED OR DISSATISFIED, AND THEN FOR LEVEL

The overall cost of the policy
The extra amount it would add to your monthly payment
For how long they would pay out on a claim
The ease of understanding the documentation
The amount they would pay out on a claim

Extremely satisfied
Very satisfied
Fairly satisfied
Fairly dissatisfied
Very dissatisfied
Extremely dissatisfied
Don't know

ASK IF SC2 = 1. OTHERS GO TO Q24

Q20 : And overall, how satisfied are you with the payment protection insurance policy you took out?

INTERVIEWER : PROBE FOR WHETHER SATISFIED OR DISSATISFIED, AND THEN FOR LEVEL

Extremely satisfied
Very satisfied
Fairly satisfied
Fairly dissatisfied
Very dissatisfied
Extremely dissatisfied
Don't know

IF SAID FAIRLY, VERY OR EXTREMELY DISSATISFIED AT Q20

Q21 : Why are you dissatisfied with the insurance?

TAKE DOWN VERBATIM
Don't know

ASK ALL

NO Q22

ASK IF SC2 = 1. OTHERS GO TO Q24

Q23 : Which of these best describes how you pay for the PPI?

RO, ROTATE

Weekly
Monthly

Annual fee
One-off
Other (specify)
Don't know – DNRO

ASK ALL

Q24 : Were you advised of the approximate cost of the insurance separate to the monthly repayment and interest amount, when you made your initial enquiries about the (product)?

PROMPT TO PRECODE

Yes, it was given separately
No, it was just shown as one amount
No, we did not discuss the cost
Don't know
Can't remember

ASK IF SC2 = 1. OTHERS GO TO Q31

Q25 :

IF Q23 = 1

How much do you pay for your PPI each week?

IF Q23 = 2

How much do you pay for your PPI each month?

IF Q23 = 3

How much do you pay for your PPI each year?

IF Q23 = 4

In total, how much does PPI add to the cost of your total loan (including interest)?

INTERVIEWER, IF RESPONDENT IS REALLY UNABLE TO PROVIDE AN EXACT AMOUNT, ASK FOR AN APPROXIMATE AMOUNT

PER WEEK (Q23=1) NOTE ACTUAL £
PER MONTH (Q23=2) NOTE ACTUAL £
EACH YEAR (Q23=3) NOTE ACTUAL £
ONE-OFF (Q23=4) SUM NOTE ACTUAL £
Other (specify)
Don't know
Refused

NO QUESTION 26, 27 OR 28

IF SC2 = 1. OTHERS GO TO Q31

Q29 : If the price of your PPI went up by, say, 10%, which of these would you do?

READ OUT, ROTATE

Actively look for other PPI providers
Consider cancelling the PPI and not being insured
Consider an alternative type of insurance, other than PPI – Other (specify)
Other (specify)
Nothing – DO NOT READ OUT
Don't know

ASK IF SC2 = 1. OTHERS GO TO Q31

Q30 : To what extent do you understand the PPI benefits within the terms and conditions of your policy?

- Understand completely
- Understand mostly
- Understand partially
- Understand a little
- Don't understand at all
- Don't know

NO Q31

ASK IF SC2 = 1 or 2. OTHERS GO TO Q 32B

Q32: Were you taken through a checklist to check your eligibility to take out the PPI cover?

- Yes
- No
- Don't know
- Can't remember

ASK ALL WHO ANSWERED Q32

Q32a: Can you tell me if your policy contains any exclusions?

INTERVIEWER NOTE: EXPLAIN IF NECESSARY. WITH EXCLUSIONS WE MEAN CIRCUMSTANCES IN WHICH THE POLICY WOULD NOT PAY OUT.

- Yes, it does
- No, it doesn't
- Don't know

ASK ALL WHO SAID 'YES' AT Q32A. OTHERS GO TO Q32B

Q32a2: Can you tell me which exclusions your PPI policy contains?

DO NOT READ OUT, PROBE FULLY

- Age below 18 or over 64
- Need to work over 16 hours a week
- Self-employed
- Knowledge of impending unemployment
- Voluntary redundancy
- Pre-existing medical condition
- Back pain
- Mental illness
- Self-inflicted injury
- Civil unrest, war, radiation and radioactive contamination or any related event
- Other (specify)
- Don't know
- Can't remember

ASK ALL

Q32b : Are you aware of how long after taking out a PPI policy you would have to wait before being able to make a claim?

DO NOT READ OUT, SINGLE CODE

Less than one week
One week
Two weeks
Three weeks
Four weeks
One month
Six weeks
Two months
Three months
Four months
Five months
Six months
Longer than six months
One or two weeks
Three or four weeks
Other (specify)

Don't know

ASK ALL EXCEPT THOSE WHO DON'T HAVE PPI WITH THEIR PRODUCT (SC2 = 3 OR 4) **AND** NEVER HAD PPI IN THE PAST (Q1 = 3)

Q32d : Have you ever asked for a refund on a PPI policy?

INTERVIEWER NOTE, BY REFUND, WE DO NOT MEAN A CANCELLATION BUT WHERE, FOR EXAMPLE, THE LOAN IS PAID OFF EARLY

Yes
No
Don't know

ASK IF Q32D = 1. OTHERS GO TO Q35

Q32e : How satisfied or dissatisfied were you with the outcome of the refund?

INTERVIEWER : PROBE FOR WHETHER SATISFIED OR DISSATISFIED, AND THEN FOR LEVEL

Extremely satisfied
Very satisfied
Fairly satisfied
Fairly dissatisfied
Very dissatisfied
Extremely dissatisfied
Don't know

ASK IF Q32E = FAIRLY, VERY OR EXTREMELY DISSATISFIED. OTHERS GO TO Q35

Q32f : Why were you dissatisfied with the outcome?

TAKE DOWN VERBATIM
Don't know

NO Q33, 34

ASK ALL

Q35 : I'm going to read out some words and phrases that some people have used to describe payment protection insurance, and I'd like you to say how much you agree or disagree with each one.

READ OUT, ROTATE

Is value for money
Gives peace of mind
Is expensive
Is impossible to claim on
Isn't worth the money
Makes me feel responsible

Agree completely
Agree somewhat
Disagree somewhat
Disagree completely
Don't know

NO Q36 OR 37

ASK ALL EXCEPT THOSE WHO DON'T HAVE PPI WITH THEIR PRODUCT (SC2 = 3 OR 4) **AND** NEVER HAD PPI IN THE PAST (Q1 = 3)

Q38 : Have you EVER had to make a claim on a PPI policy?

Yes
No
Don't know

IF CLAIMANT (SC3 = 1 OR Q38 = 1), CONTINUE. IF REJECTOR (SC2 = 3 OR 4), GO TO Q51. OTHERS GO TO CLASSIFICATION

CLAIMANTS

Q39 : You said (earlier (IF SC3 = 1)) that you have claimed on a payment protection insurance policy. When did you make this claim?

PROBE TO PRECODE

2006
July to December 2005
January to June 2005
Before 2005
Don't know
Can't remember

Q40 : How long did you need to claim for?

INTERVIEWER NOTE : IF CLAIM IS STILL IN PROGRESS, NOTE THIS AND ASK HOW LONG RESPONDENT WILL NEED TO CLAIM FOR SINGLE CODE EXCEPT 'STILL IN PROGRESS' WHICH MAY BE MULTICODED

Less than one month
One to three months
Four to six months
More than six months but less than a year
Over a year (specify)

Still in progress
Don't know

Q41 : What was the reason for your claim?
CODE ALL MENTIONS

Long term sick leave
Accident
Unemployment
Other (specify)
Don't know

Q42 : How long did it take to get a response from your insurer for the claim?
INTERVIEWER NOTE : IF NOT YET HEARD, NOTE THIS AND ASK HOW LONG THEY HAVE BEEN WAITING
SINGLE CODE, EXCEPT 'NOT YET HEARD' WHICH MAY BE MULTICODED

Less than one month
One to three months
Four to six months
More than six months but less than a year
Over a year (specify)
Not yet heard
Don't know

NO Q43

Q44 : Was your claim accepted or rejected?

Accepted
Rejected
Don't know

ASK IF Q44 = 2. OTHERS GO TO Q49

Q45 : Why was your claim rejected?

NOTE VERBATIM
Don't know

NO Q46 - 48

Q49 : How satisfied or dissatisfied were you with the outcome of the claim?
INTERVIEWER : PROBE FOR WHETHER SATISFIED OR DISSATISFIED, AND THEN FOR LEVEL

Extremely satisfied
Very satisfied
Fairly satisfied
Fairly dissatisfied
Very dissatisfied
Extremely dissatisfied
Don't know

ASK IF Q49 = FAIRLY, VERY OR EXTREMELY DISSATISFIED. OTHERS GO TO CLASSIFICATION

Q50 : Why were you dissatisfied with the outcome of your claim?

TAKE DOWN VERBATIM

Don't know

REJECTORS (SC2 = 3 OR 4)

You said that you knew about PPI or were offered it and said no. I'd just like to ask you a few more questions about that.

Q51 : Can you please tell me why you didn't take out PPI on your (product)?

PROBE FULLY

INTERVIEWER : IF RESPONDENT SAYS THEY NEVER TAKE OUT PPI, PROBE FOR WHY NOT

Don't expect to need it

Job is secure

Expensive / cost

Not eligible

Have enough savings / income to cover the debt

It's a con / too many loopholes

They never pay out

Have heard bad stories

Have had a bad experience in the past

Other (specify)

Don't know

Q52 : Have you ever claimed on a payment protection insurance policy in the past?

Yes – continue

No – go to classification

Don't know – go to classification

ASK IF Q53 = 1. OTHERS GO TO CLASSIFICATION

Q53 : How long did the claims process take?

Less than one month

One to three months

Four to six months

More than six months but less than a year

Over a year (specify)

Don't know

Q57 : How satisfied or dissatisfied were you with the outcome of the claim?

INTERVIEWER : PROBE FOR WHETHER SATISFIED OR DISSATISFIED, AND THEN FOR LEVEL

Extremely satisfied

Very satisfied

Fairly satisfied

Fairly dissatisfied

Very dissatisfied

Extremely dissatisfied

Don't know

ASK IF Q57 = FAIRLY, VERY OR EXTREMELY DISSATISFIED. OTHERS GO TO CLASSIFICATION

Q58 : Why were you dissatisfied with the outcome of your claim?

TAKE DOWN VERBATIM
Don't know

CLASSIFICATION – ASK ALL

We are almost at the end of the survey. I just have a few final questions, which will be used for analysis only. I'd just like to reassure you again that your answers will remain confidential.

C1 : IF QUOTA PRODUCT = LOAN/MORTGAGE

I'm going to read out some bands, and I'd like you to say how much you borrowed on your (product)?

IF QUOTA PRODUCT = STORE/CREDIT CARD

I'm going to read out some bands and I'd like you to say what was the limit on your card?

START SOMEWHERE IN THE MIDDLE AND PROBE FOR WHETHER MORE OR LESS

BANDS FOR MORTGAGE

Less than £50,000
£50,000 – 74,999
£75,000 – 99,999
£100,000 – 149,999
£150,000 – 199,999
£200,000 – 299,999
£300,000 – 399,999
£400,000 – 499,999
£500,000 or more
Don't know
Refused

START SOMEWHERE IN THE MIDDLE AND PROBE FOR WHETHER MORE OR LESS

BANDS FOR LOAN/STORE/CREDIT CARD

Less than £ 250
£250 - 499
£500 – 749
£750 – 999
£1,000 – 1,499
£1,500 – 1,999
£2,000 – 2,999
£3,000 – 3,999
£4,000 – 4,999
£5,000 – 7,499
£7,500 – 9,999
£10,000 – 14,999
£15,000 – 19,999
£20,000 – 24,999
£25,000 – 29,999
£30,000 or more
Don't know
Refused

ASK IF LOAN/MORTGAGE (AGAIN START IN THE MIDDLE AND PROBE FOR MORE OR LESS)

C2 : And over what period are you borrowing the money?

INTERVIEWER FOR LOAN START AT 3 OR 4 YEARS AND PROBE MORE OR LESS; FOR MORTGAGE START AT 16 TO 20 YEARS AND PROBE MORE OR LESS

Less than six months
6 months – 1 year
1 or 2 years
3 or 4 years
5 to 10 years
11 – 15 years
16 – 20 years
21 – 25 years
More than 25 years
Don't know

ASK ALL

C3 : How long does your PPI cover last for?

Less than six months
6 months – 1 year
1 or 2 years
3 or 4 years
5 to 10 years
11 – 15 years
16 – 20 years
21 – 25 years
More than 25 years
As long as I have the credit product
Don't know

C4 : And finally a few questions about yourself. Are you...?

Married
Living as married
Single
Widowed
Divorced
Separated
Refused - DNRO

C5 : And do you have any children under 16 living at home?

Yes
No
Refused

C6 : What is your working status?

Working full time
Working part time
Student
Retired
Other not working
Refused

C7 : Into which of the following brackets does your household income fall, before tax or any other deductions?

PROBE TO PRECODE

Under £15,000
£15,000-£19,999
£20,000-£24,999
£25,000-£34,999
£35,000-£49,999
£50,000-£74,999
£75,000-£99,999
£100,000+
Don't Know
Refused

C8 : How old are you?

18 – 24
25 – 34
35 – 44
45 – 54
55 – 64
65 or older
Refused

C9 : And which of these describes your housing status?
READ OUT, SINGLE CODE

Own outright
Being bought on a mortgage
Rented from private landlord
Rented from housing association
Rented from Local Authority
Other (specify)
Don't know
Refused

C10 : Approximately how much do you have in savings, excluding the value of your pension and the property you live in? Again, I'd like to stress that your answer will be treated in confidence and will only be used for analysis purposes.
INTERVIEWER, START SOMEWHERE IN THE MIDDLE AND PROMPT FOR LOWER OR HIGHER

Nothing
Less than £200
£200 – 499
£500 – 999
£1,000 – 1499
£1,500 – 1,999
£2,000 – 2,999
£3,000 – 3,999
£4,000 – 4,999
£5,000 – 9,999
£10,000 – 19,999
£20,000 – 29,999
£30,000 – 39,999
£40,000 – 49,999

£50,000 – 75,999
£75,000 – 99,999
£100,000 or more
Don't know
Refused

C11 : Again, to help us analyse the information you have given us, could you please tell me which of these ethnic origins you consider you belong to?

READ OUT

White
Black – Caribbean
Black – African
Black – other (specify)
Indian
Pakistani
Bangladeshi
Chinese
Other Asian (specify)
Mixed
Other ethnic group (specify)
Don't know
Refused

C12 : And in which region do you live?

PROMPT IF NECESSARY

Scotland
North West
North East
Yorkshire & Humberside
East Midlands
West Midlands
Wales
East Anglia
South West
Greater London
South East

C13 : If we conduct further research on this subject, would you be willing to take part?

Yes
No

Thank you very much for your time, that is the end of the survey. If you would like to validate GfK NOP's credentials I can give you the telephone number of the Market Research Society. If you have any questions I can give you the telephone number of the executive running the project.

THANK AND CLOSE

C14: Code sex

Male
Female