

Creditor Insurance - UK - November 2011

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"The PPI market is facing very trying times as consumers have been bombarded with negative press regarding the mis-selling scandal. This has been a contributing factor in many feeling that the product is inherently flawed. However, PPI has a role to play in protecting credit and loan arrangements and with some careful management and creative thinking there is a chance that the product could see its reputation and use somewhat restored."

– Stephanie Seenan, Financial Services Analyst



In this report we answer the key questions:

- Will people still buy PPI despite the publicity surrounding the mis-selling it?
- Can the creditor insurance market conquer the challenges it currently faces?
- How does the macro environment impact on the PPI industry?
- Will the point-of-sale ban signal the death knell for the PPI industry?
- What are providers doing to address the challenges that they are facing

Creditor insurance has been in the headlines yet again of late. Many high street banks have been reporting losses due to large PPI payouts following the long-running battle over compensation for mis-sold policies. Furthermore, insurers have lost their fight against new regulations regarding the selling of PPI, despite the British Bankers' Association's (BBA) argument that the new rules were unfair because they were to be applied retrospectively.

At the same time, the markets that underpin creditor insurance have struggled during the slowdown. Mortgage lending is sharply down, as is the value of new personal loans. Of all the main credit types, only credit card lending has held up during the recession, and even here, outstanding balances have not been keeping pace with inflation. The problem is partly one of supply, with lenders tightening their criteria, but also one of demand, as consumers react to the tough economic times by attempting to clear debts.

This report looks at creditor insurance as a product, the market environment in which it operates, innovations, competition, key companies, market share and the overall size of the market. It also uses exclusive consumer research to investigate behaviour with regards to creditor insurance, and consumers' views on the mis-selling scandal.

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