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Appendix 3 Handling Payment Protection Insurance complaints

3.7A Approach to redress at step 2

App 3.7A.1 E This section applies to a *CCA lender* at step 2.

Duty to remedy unfairness

App 3.7A.2 E Where the *firm* concludes in accordance with DISP App 3.3A that the non-disclosure has given rise to an unfair relationship under section 140A of the *CCA*, the *firm* should remedy the unfairness.

Redress for single premium payment protection contracts

App 3.7A.3 E In relation to a single premium *payment protection contract*, the *firm* should pay to the complainant a sum equal to:

(1) the commission actually paid; plus

(2) an amount representing actual profit share; minus

(3) 50% of the total amount paid (or other percentage as in DISP App 3.7A.4E).

The *firm* should also pay historic interest in relation to that sum, where relevant. It should also pay simple interest on the whole amount.

Redress for regular premium payment protection contracts

App 3.7A.3A E In relation to a regular premium *payment protection contract*, the *firm* should pay to the complainant in respect of each redress period a sum equal to:

(1) an amount appropriately representing the commission paid in respect of that period; plus

(2) an amount appropriately representing profit share in respect of that period; minus

(3) 50% of the amount appropriately representing the total amount paid in respect of that period (or other percentage as in ■ DISP App 3.7A.4E).

A *firm* should pay the aggregate of those sums and also pay historic interest in relation to each of those sums, where relevant. It should also pay simple interest, where relevant.

Where the presumption against unfairness has been rebutted

App 3.7A.4 E In cases where the presumption that failure to disclose commission did not give rise to an unfair relationship (in ■ DISP App 3.3A.4E(2)) has been rebutted and the *firm* has concluded that the non-disclosure gave rise to an unfair relationship under section 140A of the *CCA*, the *firm* should consider what level of commission plus anticipated profit share would not have given rise to unfairness in that case, and use that amount (expressed as a percentage) at ■ DISP App 3.7A.3E(3) or ■ DISP App 3.7A.3AE(3) as appropriate.

Where the complainant has received a rebate

App 3.7A.5 E If the complainant has received any rebate, the *firm* may calculate the amount of the rebate that represents commission and actual profit share sums paid up to the point of the rebate that were more than 50% (or such other percentage determined under ■ DISP App 3.7A.4E) of the total amount paid in relation to the *payment protection contract* and deduct this from the amount of redress otherwise payable to the complainant.

Where a single premium was added to a loan

App 3.7A.6 E Additionally, where a single premium policy was added to a loan:

(1) for live *policies*, where there remains an outstanding loan balance, the *firm* should, where possible, arrange for the loan to be restructured (without charge to the complainant but using any applicable cancellation value) with the effect of ensuring the number and amounts of any future repayments (including any interest and charges) are the same as would have applied if the commission plus anticipated profit share was 50% (or such other percentage determined under ■ DISP App 3.7A.4E) of the total amount paid in relation to the *payment protection contract*; or

(2) for cancelled *policies*, the *firm* should pay the complainant the difference between the actual loan balance at the point of cancellation and what the loan balance would have been if a sum equal to that payable under ■ DISP App 3.7A.3E (before historic or simple interest) had not been added (plus simple interest) minus any applicable cancellation rebate value.

Where a regular premium policy is live

App 3.7A.7 E Additionally, for a regular premium *payment protection contract*, where the *policy* is live the *firm* should disclose the current level of known or reasonably foreseeable commission and currently anticipated profit share and give the complainant the choice of continuing with the *policy* without change or cancelling the *policy* without penalty.

App 3.7A.8 E For the purposes of ■ DISP App 3.7A.7E, currently anticipated profit share should be read as requiring a projection forwards from the date of disclosure rather than from the date of the original sale.

App 3.7A.9 G The disclosure in ■ DISP App 3.7A.7E may:

(1) be in the form of a range so long as it is sufficiently narrow to be clear and informative: and

(2) specify the current level of commission and currently anticipated profit share separately.

Where a claim was previously paid

App 3.7A.10 E Where a claim was previously paid on the *policy*, the *firm* should not deduct this from the redress paid.