

By Adam Williams | 9 March 2019 8:43am

**B**illions of pounds of compensation for the mis-selling of payment protection insurance (PPI) remains unclaimed, with just six months until the deadline for customer refunds.

Even those rejected in the past may have the opportunity to claim again after a court case ruled against excessive commission levels paid from insurers to providers.

But while banks are writing to some customers encouraging them to settle, they are offering sums that are a fraction of what can be achieved if a legal challenge is mounted. Experts say banks are underpaying the potential redress by as much as 400pc.

PPI was sold on an industrial scale by banks alongside credit cards, mortgages and loans during the Nineties and 2000s. The insurance was designed to pay out in the event that the policyholder lost their job, became ill or died.

Yet few checks were made to ensure that customers were not already covered by other policies, leading to widespread mis-selling.

Since January 2011, more than £33.8bn has been paid out to victims, but billions remain unclaimed ahead of the Aug 29 deadline.

BlackLion Law, a firm specialising in PPI claims, said that the average claim was around £4,500, although in one instance it was aware of a £280,000 payout.

Martyn James, of consumer complaints website Resolver, said around 62million PPI policies were sold. He estimates as many as a third of these policies have not yet been claimed against. "Countless people have not even realised that PPI was slipped on to loans and credit cards without their permission," he said.

A high-profile court case in 2014 opened the door for people who had previously been rejected to lodge a new claim. This ruling, known as the "Plevin case", was based on the amount of commission paid by insurance companies to the providers who sold PPI policies. In

some cases, the level of commission was as much as 80pc of the amount paid for the policy.

Negar Yazdani, of BlackLion Law, said: "This is the equivalent of buying a car for £5,000 and finding out later that it was only worth £1,000 and the rest was pure profit pocketed by the car salesman."

The Supreme Court judgment stated that an agreement with high levels of undisclosed commission was automatically unfair and the claimant was entitled to a refund of all the premiums, plus interest. But despite protestations from consumer groups and claims firms, the City watchdog, the Financial Conduct Authority (FCA), decided that when commission exceeded 50pc of what the customer paid for the policy, this was the "tipping point" when it became unfair.

Banks have been asked to write to a small proportion of customers to inform them they may have a valid claim. These "tipping point" letters, seen by Telegraph Money, encourage recipients to settle with their banks. But unwitting customers may be signing away thousands of pounds by agreeing to such a deal.

Banks have offered to settle with customers for the amount above the 50pc commission level. It is not stated that customers may be entitled to a full refund, potentially thousands of pounds more, if they were to challenge the providers legally.

Miss Yazdani said: "Banks respond to claims made directly to them by customers by requiring them to sign letters agreeing that the refund is in "full and final settlement" while knowing perfectly well that they are grossly underselling the potential redress owed by as much as 400pc."

BlackLion Law said that it had dealt with 1,000 cases on this basis. Banks had typically settled for almost all of the commission payment, rather than just the amount above 50pc. More than 400 cases have already been settled in this way.

However, in each of the examples seen by this

newspaper, the claimant has had to instruct lawyers to start the litigation process in order to receive the full payout.

Mr James said that people did not have to use legal or claims companies to reclaim the PPI owed, although Miss Yazdani argued that "doing it yourself" would only result in a "tipping point"-style offer, which may yield thousands less than a legal claim.

It tends to be middle-class professionals and people who are otherwise financially savvy that are missing out on a potential windfall.

"These people typically think that it could not happen to them as they 'would know' or 'read the small print' but this simply is not the case," said Miss Yazdani. "We have acted for lawyers, bankers, accountants and property developers who have been duped into these products."

The FCA said its advertising campaign, featuring Hollywood star Arnold Schwarzenegger, was designed to alert all consumers to potential claims. But Miss Yazdani said the nature of the advert, which features an animatronic version of the actor's head, had done little to increase awareness among wealthier individuals.

"The FCA has not widely publicised the Plevin decision and instead has focused on the low-brow Schwarzenegger advert," she said.

Miss Yazdani said payouts to wealthier victims were typically higher, averaging £15,000. Other than mortgages, the cards and loans often sold with PPI to professionals included corporate American Express credit cards, Mercedes-Benz finance agreements and John Lewis store cards. The FCA did not respond to requests for comment.

Mr James urged victims to claim well in advance of Aug 29. "It's impossible to overstate the scale of PPI mis-selling – and billions of pounds are still stuck in the coffers of the banks," he said.

## PPI | Size of the scandal

(Jan 2011 - Dec 2018)

|  |                                      |
|--|--------------------------------------|
| Average claim:                         | Biggest claim:                       |
| <b>£4,500</b>                          | <b>£280k</b>                         |
| Paid out so far:                       | Exp. total PPI:                      |
| <b>£33.8bn</b><br>(including interest) | <b>£48bn</b><br>(including interest) |
| Source: FCA / Blacklion Law            |                                      |

## FAQ | HOW TO CLAIM FOR PPI FOR FREE

1. Find out if you have a policy: check the paperwork of a loan or credit card agreement and see if the cost of PPI has been included on your statements. It may also be listed as "loan protection", "credit insurance", "loan repayment insurance", "ASU", or "account cover". If you are still unsure, check with the provider
2. Check if PPI has been mis-sold: you have been mis-sold if you weren't told PPI was optional, for example, if you were pressured into buying the insurance if it was added to your loan without your knowledge and if PPI was unsuitable for you
3. Make the claim yourself: the Financial Ombudsman Service has a free PPI claim form. This means you receive any refund you are entitled to. You can call 0800 023 4567 if you need help filling out the form
4. Complain to your lender: using the **free PPI form** from the Ombudsman, write to the lender providing as much information as possible. The firm or bank then has eight weeks to respond to you. If your lender is no longer in business, you should contact the Financial Services Compensation Scheme to find out how to claim
5. Contact the Financial Ombudsman Service: if you don't get a response from your lender within eight weeks, go back to the FoS within the next six months who can then deal with your complaint

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