CMA orders insurance provider to fix PPI breaches

Cardif Pinnacle, part of global banking group BNP Paribas, provides insurance products to its own customers, as well as to other banks' customers.

The Competition and Markets Authority (CMA) has today issued Cardif Pinnacle with legally binding directions ordering it to appoint an independent body to audit its payment protection insurance (PPI) processes. It must also put in place measures to make sure similar incidents do not happen again.

All PPI providers are subject to a CMA Order which requires them to send customers annual reminders that clearly set out how much they have paid for their policy, the type of cover they have, and reminds them of their right to cancel.

Since 2012, Cardif Pinnacle has sent more than 14,800 inaccurate reminders to 7,400 customers, meaning those affected were unable to assess accurately whether they wanted to continue paying for PPI or change provider.

The company is now in the process of sending apology letters to those affected, which will remind them of their right to cancel at any time.

The CMA has also written publicly to Lloyds and Nationwide, after both breached the Order again. These breaches were discovered following audits imposed on them by the CMA for previous breaches in 2018 and breaches in 2019 respectively.

Lloyds breached the CMA's Order 18 times over an 8-year period. It failed to send reminders, or sent reminders containing inaccurate information, to more than 10,000 customers. Nationwide failed to provide annual reminders to more than 3,000 customers over a 4-month period, meaning some customers may not have been aware they still had PPI.

Lloyds is in the process of refunding those who would have cancelled their policy had they received an accurate reminder, and has paid out £96,000 to date. Nationwide is contacting customers and is offering to refund their PPI payments for 2020 should they wish to cancel their policy. Those refunded will also receive 8% compensatory interest on the money they paid into their policy.

Adam Land, Senior Director of Remedies, Business and Financial Analysis, said:

> If providers fail to send important information on PPI policies, people could end up paying for insurance they no longer need. Not having this information also makes it harder to look around for a better deal.

> That’s why we continue to act when we see PPI providers breaking the rules. We’ll be keeping a close eye on these firms – and others in the sector – to make sure they treat their customers fairly.

The CMA cannot currently impose financial penalties on businesses for breaches of this kind, but it has called for the power to do so.

Imposing fines would allow the CMA to take quicker action against companies that break the law. It would also allow it to increase the deterrent effect of its enforcement and make sure businesses take the obligations which the CMA imposes on them seriously for the benefit of UK consumers.

Notes to editors:

1. Directions are a formal enforcement instrument, which can be used to ensure that firms subject to an Enterprise Act 2002 remedy imposed by the CMA, in this case the PPI Order, take certain actions to comply.
2. Both Lloyds and Nationwide have breached the CMA’s Order in the past. In 2018, Lloyds was issued with directions, and Nationwide was issued directions in 2019.
3. The CMA does not currently have the power to impose financial penalties for breaches of this kind. The CMA has called for such powers in order to increase incentives for businesses to comply with market and merger remedies. The Government is set to consult on whether the CMA will be given such powers.
4. For CMA updates, follow us on Twitter, Facebook and LinkedIn.