

Mr Jason Baker
Head of Risk and Compliance
Paymentshield Limited

From: Alistair Thompson
Director, Remedies, Business and
Financial Analysis

6 September 2017

Dear Mr Baker,

Payment Protection Insurance Market Investigation Order 2011

We are writing to you regarding Paymentshield Limited's ('Paymentshield') failure to comply with Article 4 of the Payment Protection Insurance Market Investigation Order 2011 ('the Order'). This requires PPI providers to send PPI Annual Reviews to all their PPI customers.

In December 2016, Paymentshield told us that some customers had not received Annual Reviews. This was due to Paymentshield's customer mailing process which stopped any further mail being dispatched to an address when mail was undelivered and returned to Paymentshield as 'addressee gone away'.

The purpose of Annual Reviews is to remind customers that they continue to have PPI which they are entitled to cancel, to raise consumer awareness of their ability to switch PPI provider and to help customers to compare the premium they pay at any point in time with policies offered by other providers.

Paymentshield explained that following a review earlier in 2015 of its 'addressee gone away' process, in October 2015 it updated its process. From then on mail could only be stopped to the address once at least two mailings had been returned and once Paymentshield had attempted to contact the customer by telephone or through a broker.

This breach affected customers with Mortgage Payment Protection Insurance (MPPI) and Short Term Income Protection (STIP) policies.

Paymentshield reported that its investigation identified 3,067 customers who had not received one or more Annual Reviews since 2012, resulting in 5,395 Annual Reviews not being issued.

Since then we have had several exchanges to discuss the details of the breach and Paymentshield's proposals to fix its mailing processes and remediate affected customers.

Paymentshield confirmed on 18 August 2017 that it had completed the implementation of a further improvement of its process to address the breach identified and to prevent it arising in the future. Paymentshield told us it will check for accounts marked with 'addressee gone away' each week. Those that have been checked and remain 'addressee gone away' will then be checked by a third party tracing agency three and then nine months later to find the latest address for the customer.

Paymentshield's apology letters to affected customers and remedial action

Paymentshield confirmed that it will be sending apology letters to a total of 2,665 customers (2,037 existing customers with live PPI policies and 628 customers who have since cancelled their PPI policies) of the 3,067 customers affected. The remaining 402 customers will not be sent letters – we discuss these later.

Paymentshield will seek to re-establish contact with 380 of the 2,037 affected customers with live PPI policies who are not currently receiving Annual Reviews to apologise and provide an up to date Annual Review. Where a customer in this category cancels their policy within 90 days of receiving the apology letter, Paymentshield will offer a refund of premiums plus interest.

Paymentshield will also seek to contact the 628 affected customers with cancelled policies. These customers had cancelled their policies:

- within 90 days of receiving their Annual Reviews after Paymentshield had re-established contact or
- in the 12-month period after the latest missed Annual Review (customers who missed more than two Annual Reviews; or missed more than one Annual Review in consecutive years; or missed an Annual Review and behaviour indicates that they might have cancelled earlier; or missed more than one Annual Review in 2013 prior to cancelling).

Paymentshield considers that if customers had cancelled within 90 days of receiving Annual Reviews or in the 12-month period after the latest missed Annual Review then this indicates that those customers might have cancelled earlier had they received their Annual Reviews. This category of customers will be offered a refund of premiums plus interest.

Paymentshield reported that the remaining 402 of the 3,067 affected customers with cancelled policies will not receive communications because they either:

- cancelled in the 12-month period after the latest missed Annual Review. These customers only missed their last Annual Review which was due prior to cancellation, and had therefore received all of their Annual Reviews up to this point. Paymentshield considers that customers in this category were aware of their policies; or
- cancelled in the 12-month period after the latest missed Annual Review and had received a number of consecutive Annual Reviews prior to that. Paymentshield considers that customers in this category were aware of their policies; or
- cancelled more than 90 days after receiving their most recent Annual Review. Paymentshield considers that these customers had the required information to make an informed decision but did not cancel as a direct result of receiving their Annual Review.

Paymentshield has told us that under its new process it will make three attempts to contact affected customers. If customers who still have their policy in force cannot be contacted they will be included in the new mail process which includes periodic attempts to make contact.

Paymentshield has told us that it expects to complete customer remediation by the end of 2017 subject to re-establishing contact with customers. Paymentshield will confirm that it has completed customer remediation in a final update to us in January 2018.

Paymentshield's controls to prevent further breaches

As noted above, Paymentshield's new process for handling returned mail was implemented in August 2017. As part of its own internal checks, Paymentshield will also report on a monthly basis and carry out periodic checks on samples of customers' accounts which have mail returned as undelivered or a stop applied to mailing.

Paymentshield agreed to:

- report quarterly to the CMA on the remediation activity; and
- report to the CMA when remediation activity will begin and when it is completed.

The CMA expects Paymentshield to inform it of any future compliance issues that may arise and to do so as soon as any such issue is identified.

Publication of this letter from CMA to Paymentshield on GOV.UK

This letter will be published by the CMA on GOV.UK

Yours sincerely,

Alistair Thompson

Director, Remedies, Business and Financial Analysis

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