

General Counsel, Cardif Pinnacle

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

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Cardif Pinnacle: Breach of the Payment Protection Insurance Market Investigation Order 2011

I am writing to you, on behalf of the CMA, regarding two breaches reported by Cardif Pinnacle relating to Article 4 of the [Payment Protection Insurance Market Investigation Order 2011](#) (the Order). This follows four breaches of the Order for which the CMA issued [formal Directions](#) to Cardif Pinnacle in July 2020.

The breaches

On 6 November 2020 Cardif Pinnacle notified the CMA of the first breach: 4,808 customers had received inaccurate Annual Reviews since 2012. Due to increased manual quality assurance checks in August 2020, Cardif Pinnacle identified this additional cohort of customers affected by the previous breach of the Order which had led to the CMA issuing directions on 8 July 2020. As a result of a system coding issue, Annual Reviews were issued which covered durations of either 11 or 13 months rather than 12 months. The Annual PPI Cost was therefore either over- or under-stated in these Annual Reviews. Cardif Pinnacle has commenced work to rectify this issue so that the fix is applied ahead of the next Annual Review mailing cycle.

On 25 November 2020 Cardif Pinnacle notified the CMA of the second breach: four customers had received inaccurate Annual Reviews in which the Permanent Total Disablement cover was recorded as £0.01 rather than £10,000. This issue first occurred in November 2016 and appeared in subsequent annual mailing cycles. Cardif Pinnacle has since rectified this issue.

The CMA's views

The breaches relate to Article 4 of the Order, where Annual Reviews are intended to be sent to remind customers that they continue to have PPI which they are entitled to

cancel. The Annual Reviews are also designed to raise consumer awareness of their ability to switch PPI provider and to help customers compare the cost of PPI at any point in time with policies offered by other providers.

These breaches came to light as a result of the directions which the CMA issued to Cardif Pinnacle in July 2020 for previous breaches of the Order. These directions required that Cardif Pinnacle take action to fix the issues identified and Cardif Pinnacle increased its manual quality assurance checks to ensure that the underlying causes were effectively addressed. Cardif Pinnacle's two most recent breaches were identified as a result of these increased manual checks.

It is encouraging to note that as a result of the CMA's enforcement action, Cardif Pinnacle has taken significant steps to address the issues identified within its systems to ensure that it is compliant with the Order.

Voluntary action Cardif Pinnacle will take to end the breaches

Cardif Pinnacle has agreed to send apology letters to all customers affected and will also offer affected customers the option to cancel their policy and seek a refund for the period since the breaches first occurred. In the short term, Cardif Pinnacle has agreed to continue to conduct increased manual quality assurance checks for Annual Reviews which are at greater risk of containing errors to prevent similar problems from occurring.

Pursuant to the July 2020 directions, the CMA has instructed Cardif Pinnacle to appoint an Independent Body to audit its systems and processes to assess whether they are sufficiently robust to ensure compliance with the Order. Cardif Pinnacle has agreed that as part of this independent assurance audit, it will request that the Independent Body tests the fixes designed to bring the breaches to an end. This will ensure that the underlying issue is resolved in full.

CMA's assessment and next steps

Given the steps Cardif Pinnacle has taken to address the two breaches of the Order, the CMA does not consider it appropriate to take formal enforcement action at this time. The CMA will monitor the resolution of these breaches. It reserves the right to take formal enforcement action if any further material breaches of the Order or the July 2020 Directions occur.

This letter has been published on our website.

Yours sincerely

Alistair Thompson
Director
Remedies, Business and Financial Analysis