



**Financial  
Ombudsman  
Service**

our ref Chairman/010708 Hector Sants  
your ref

from Sir Christopher Kelly KCB  
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### **Wider Implications of complaints about the misselling of Payment Protection Insurance**

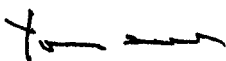
Under the wider implications process we agree to draw to each other's attention complaint issues that appear to us to have wider implications and where there may be a need for you to consider regulatory action to ensure that consumers who have suffered widespread detriment do not lose out. My board considers it is appropriate now to draw formally to your attention under the wider implications process the issues arising from past payment protection sales.

FSA's own thematic work and that of the Competition Commission suggest that large numbers of consumers who have (or have had) PPI policies may have been missold. There is evidence of widespread and regular failure on the part of many firms to comply with FSA's rules and insurance law. In order for these consumers to receive redress it is inappropriate for them to have to make complaints individually to firms or ultimately to the Financial Ombudsman Service. Complaints may not be pursued by less confident customers, whilst large numbers of other complaints may be raised by customers who in practice have little prospects of success. Significant issues for customers and firms would need to be determined by the ombudsman dealing with large volumes of disputes and acting in a manner some might perceive as quasi-regulatory. While the number of consumers who have made complaints about PPI to the Financial Ombudsman Service constitutes a substantial part of our caseload, it is apparent to us that this number constitutes a tiny fraction of those who would be entitled to redress.

You have been taking action to tackle poor sales practices. Your recent enforcement actions and public commitment to consider further similar actions have been helpful in focusing industry attention. You are presently assessing the need for wider regulatory action in the light of the latest information about present practices.

We intend to provide you with further information about our experience so that regulatory action can be designed to ensure that firms take appropriate and proportionate remedial action. It is of course for FSA, together if appropriate with HM Treasury, to decide exactly what regulatory tools should be used to bring about the required outcome. But my board is in no doubt that simply allowing consumers individually to bring complaints is not the right way to tackle what is a systemic problem.

We recognise that time will be needed to frame and implement an appropriate regulatory solution. So, in order to ensure that any case decisions we make do not cut across your actions, it may be right for us to suspend handling of current PPI complaints and to inform the parties accordingly.



Christopher Kelly  
*chairman*