Financial Ombudsman Service

a quick guide to ...

what is "PPI comparative redress?"

We've recently begun to receive a number of enquiries about PPI and "comparative redress" or "alternative redress" – though the numbers are still quite small.

Comparative redress is a type of PPI compensation offered by some banks when their investigation suggests that you *might* have taken out a cheaper kind of PPI if you'd been given all the facts at the time. This might be the case if you wanted and needed the policy, but shouldn't have paid for it as a "single premium" and it would have been ok if it was a monthly policy.

Some people say that comparative redress is a good thing, as it may mean the banks uphold more PPI complaints that they would have rejected outright before. However, others argue that comparative redress isn't "proper or fair" compensation and consumers are losing out as a result.

Here's what *Which?* and Money Saving Expert have to say about comparative interest:

Your bank may decide it should have sold you monthly loan cover (known as a regular premium) rather than add the full cost at the start of the loan (called a single premium). If so, your offer will be the difference between what you actually paid and what you would have paid. This is called comparative or alternative redress.

The rules say your bank is able to do this in certain circumstances, and can assume you would have paid up to £9 for every £100 of your loan repayment per month. If your offer letter says this applies to you and you disagree with the assumption you would have bought monthly PPI, tell your bank why. It's *not* compulsory for you to accept this decision.

how does it work?

There are many different types of PPI policies – some more expensive than others. Lots of people were sold "single premium" PPI when they took out a loan or other form of credit. This is when the full cost of the PPI policy was added to your loan at the start of the agreement with interest on top.

If your bank decides you might have taken a cheaper form of protection for your loan or credit (perhaps on a monthly basis) they will look at the price of a comparable and suitable insurance product from the time (based on what the regulator has set out). They then work out what you would have paid if you'd taken out the cheaper policy and refund the difference plus interest.

So while you don't get *all* of your premiums back plus interest, you do get some of the money you've paid out returned and it's supposed to be based on what would have happened if the financial business hadn't let you down.

am I being short-changed?

Banks can't just offer you comparative redress because it is cheaper for them. The key is that they can only do so where the evidence suggests you would actively wanted or would have benefited from PPI but the problem was the bank sold you the wrong type.

Some consumers and claims managers have contacted us to ask if this is fair. Firstly, the banks are not breaking any rules by offering comparative redress. But if you think you've been treated unfairly, you should to bring your complaint to the ombudsman and we will make sure that the offer you have had was fair.