

PPI claims to FSCS generate £20m for CMCs

FSCS has paid out almost £136 million in mis-sold PPI claims since 2008, with over £89 million going through claims management companies

The number of consumers making claims for mis-sold Payment Protection Insurance (PPI) from failed firms has increased by 70% in 2012, new figures from the Financial Services Compensation Scheme (FSCS) reveal.

More than 19,000 people submitted claims in 2012, up from just over 11,000 in the previous year. Of these 2012 claims, 59% came from claims management companies (CMCs), worth more than £29m of claims. CMCs typically take a cut of about 25% of the compensation so UK consumers handed over more than £7.4m (when they could have claimed from FSCS for free). However this is a fall compared to 2011, when 76% of claims were from CMCs and only 24% from individuals.

The average pay-out to those making their own claim in 2012 was almost £4,895, compared to £3,837 to those who used a CMC. With claims management companies taking an average of 25% of compensation, the average claimant pays almost £960 of their compensation. Since 2008, consumers have paid over £22m in compensation to claims management companies.¹

FSCS, which is free to consumers, has helped more than 4.5m people and paid out more than £26bn since 2001. Between 2008 and 2012, almost £136m of this total was for PPI claims.

Mark Neale, Chief Executive of FSCS, said: “Claims management companies take a sizeable chunk of any pay-out. Consumers who make a claim directly to FSCS keep every penny of their compensation. Some people may prefer to use a claims management company, but it is important that they understand the charges from the outset and are happy to pay them.

“Making a PPI claim to FSCS is free and simple. We have a dedicated customer services team to help guide claimants throughout the application process. Once it has been submitted, people will be contacted if FSCS needs any further information to process the claim.”

¹ Uphold rates vary from company to company and these in turn can affect uphold rates for claims from individuals and those mediated by CMCs where claims from individuals are disproportionately under- or over-represented among claims on a particular company. Generally speaking FSCS notices little difference in the uphold rates for individuals and CMCs in respect of claims on the same company.

Notes to Editors

1. About the FSCS

The Financial Services Compensation Scheme (FSCS) is the UK's statutory compensation scheme for customers of authorised financial services firms. This means that FSCS can pay compensation if a firm is unable, or likely to be unable, to pay claims against it. FSCS is an independent body, set up under the Financial Services and Markets Act 2000 (FSMA), and funded by a levy on authorised financial services firms. FSCS does not charge individual consumers for using its service. For more information visit www.fscs.org.uk

2. FSCS and PPI claims

FSCS can pay out when a company which has mis-sold PPI to consumers goes bust. For claims relating to the selling or arranging of general insurance, including PPI, FSCS will compensate 90% of the value of the claim, with no upper limit. The claims received by FSCS between 2008 and 2012 are outlined below:

Claims Submitted by Claim Management Companies							
Year	Claims Submitted	Claims Upheld	Claim Rejected	Total Amount Paid	Claims Submitted %	Uphold Rate	Average Payment Upheld
2008	85	77	6	£800,290.59	25.53%	92.77%	£10,393.38
2009	872	734	88	£5,285,808.22	55.68%	89.29%	£7,201.37
2010	6,213	5,122	767	£24,157,744.17	82.41%	86.98%	£4,716.47
2011	9,043	7,331	1,226	£29,332,081.31	75.85%	85.67%	£4,001.10
2012	11,285	7,718	1,747	£29,621,233.26	58.59%	81.54%	£3,837.94
Total	27,498	20,982	3,834	£89,197,157.55	67.70%	84.55%	£4,251.13

Claims Submitted by Individuals							
Year	Claims Submitted	Claims Upheld	Claim Rejected	Total Amount Paid	Claims Submitted %	Uphold Rate	Average Payment Upheld
2008	248	216	23	£2,191,264.20	74.47%	90.38%	£10,144.74
2009	694	567	84	£4,670,894.23	44.32%	87.10%	£8,237.91
2010	1,326	1,030	198	£6,956,869.81	17.59%	83.88%	£6,754.24
2011	2,879	2,115	585	£10,471,116.46	24.15%	78.33%	£4,950.88
2012	7,975	4,530	1,693	£22,173,087.42	41.41%	72.79%	£4,894.72
Total	13,122	8,458	2,583	£46,463,232.13	32.30%	76.61%	£5,493.41