

Over three quarters of PPI claims to FSCS made through claims management companies

Rise of claims management industry costs consumers

The vast majority of consumers making claims for mis-sold Payment Protection Insurance (PPI) from failed firms have done so through claims management companies, new figures from the Financial Services Compensation Scheme (FSCS) reveal.

More than three-quarters of people claiming PPI compensation from the FSCS do so through a claims management company. These companies take a cut of the compensation, which can be up to 25% or more.

The FSCS figures are based on analysis of PPI claims between 2008 and 2011. The Scheme, which is free to consumers, has helped more than 4.5 million people and paid out more than £26 billion since 2001. Just over £77.5 million of this total amount was for PPI claims.

Although the number of claims submitted directly to the FSCS more than doubled from 2010 to 2011, the number coming from claims management companies far outstrips the number of individual claims in both years by more than three to one. With the average pay-out to those going via a claims management company being £4,534, a quarter of this is more than £1,133.

Paying a third party to submit a claim to the FSCS does not significantly increase the chances of receiving compensation either. The analysis shows the number of successful claims made by individuals is almost the same as for those made by third parties. The uphold rate for claims made through third parties is just under 87%, compared with just over 83% for individuals.

Overall the total number of PPI claims for failed institutions has increased considerably in the past year, with 60% more people claiming compensation in 2011 compared to 2010.

Mark Neale, Chief Executive of the FSCS, said:

“Consumers should be aware claiming compensation from the FSCS is free and the process is not difficult. In these tough times people may well think they increase their chances of getting their money back but that is not necessarily the case. Of course, some people may prefer to pay someone to submit their claim for them. The choice is theirs and they should understand what they will get for their money. Claims management companies take a

sizeable part of the possible pay-out and are no more likely to make a successful claim than consumers can on their own.

“Each application is judged on its individual merits. Whether it is submitted by a claims management company or by an individual has no bearing on the likelihood of success. If people make the claim directly and it is successful, they receive the full payment, without having to share a big cut with a third party.

The PPI application process is simple. Once people complete their application form the FSCS will contact them if it needs any further information to process the claim. The FSCS has a dedicated phone line to help consumers with any queries they might have when making a direct claim.

-ENDS-

For further information please contact Michael Monk at the FSCS on 020 7892 7540.

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 the FSCS can pay compensation if a firm is unable, or likely to be unable, to pay claims against it. The 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. The FSCS does not charge individual consumers for using its service. For more information visit www.fscs.org.uk

2. The FSCS and PPI claims

The 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, the FSCS will compensate 90% of the value of the claim, with no upper limit. The claims received by the FSCS between 2008 and 2011 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
2008	85	77	6	£800,290.59	25.53%	92.77%	£10,393.38
2009	872	733	88	£5,271,039.95	55.65%	89.28%	£7,191.05
2010	6,228	5,121	768	£24,130,142.98	82.39%	86.96%	£4,712.00
2011	9,202	6,338	1,001	£25,433,853.37	75.95%	86.36%	£4,012.91
Total	16,387	12,269	1,863	£55,635,326.89	75.95%	86.82%	£4,534.63

Claims Submitted by Individuals							
Year	Claims Submitted	Claims Upheld	Claim Rejected	Total Amount Paid	Claims Submitted %	Uphold Rate	Average Payment
2008	248	216	23	£2,191,264.20	74.47%	90.38%	£10,144.74
2009	695	568	84	£4,685,662.50	44.35%	87.12%	£8,249.41
2010	1,331	1,027	202	£6,941,250.58	17.61%	83.56%	£6,758.76
2011	2,914	1,608	381	£8,058,344.97	24.05%	80.84%	£5,011.41
Total	5,188	3,419	690	£21,876,522.25	24.05%	83.21%	£6,398.51