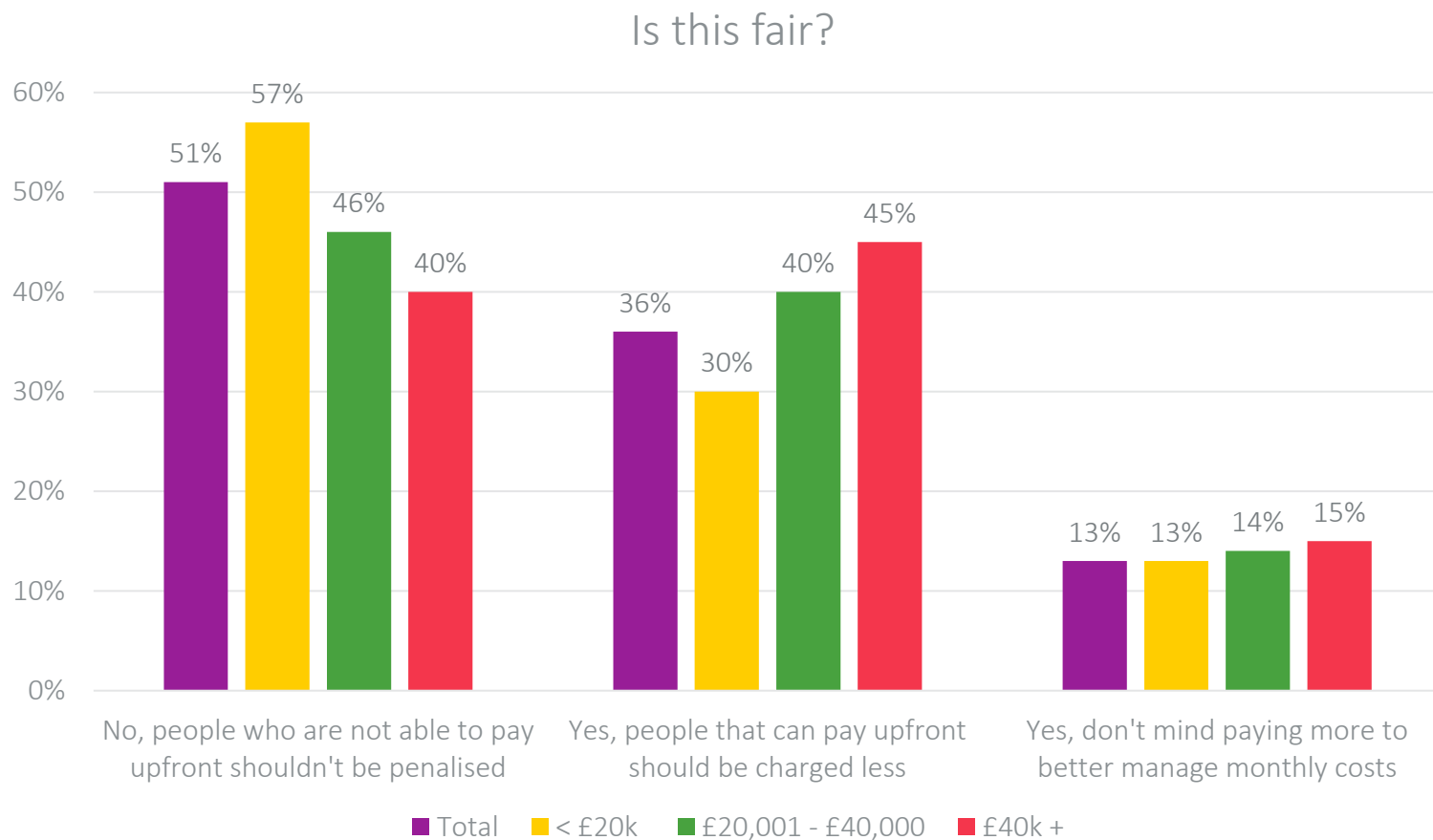


Retail premium finance, general insurance and the FCA

Where the rubber hits the road

27 November 2020

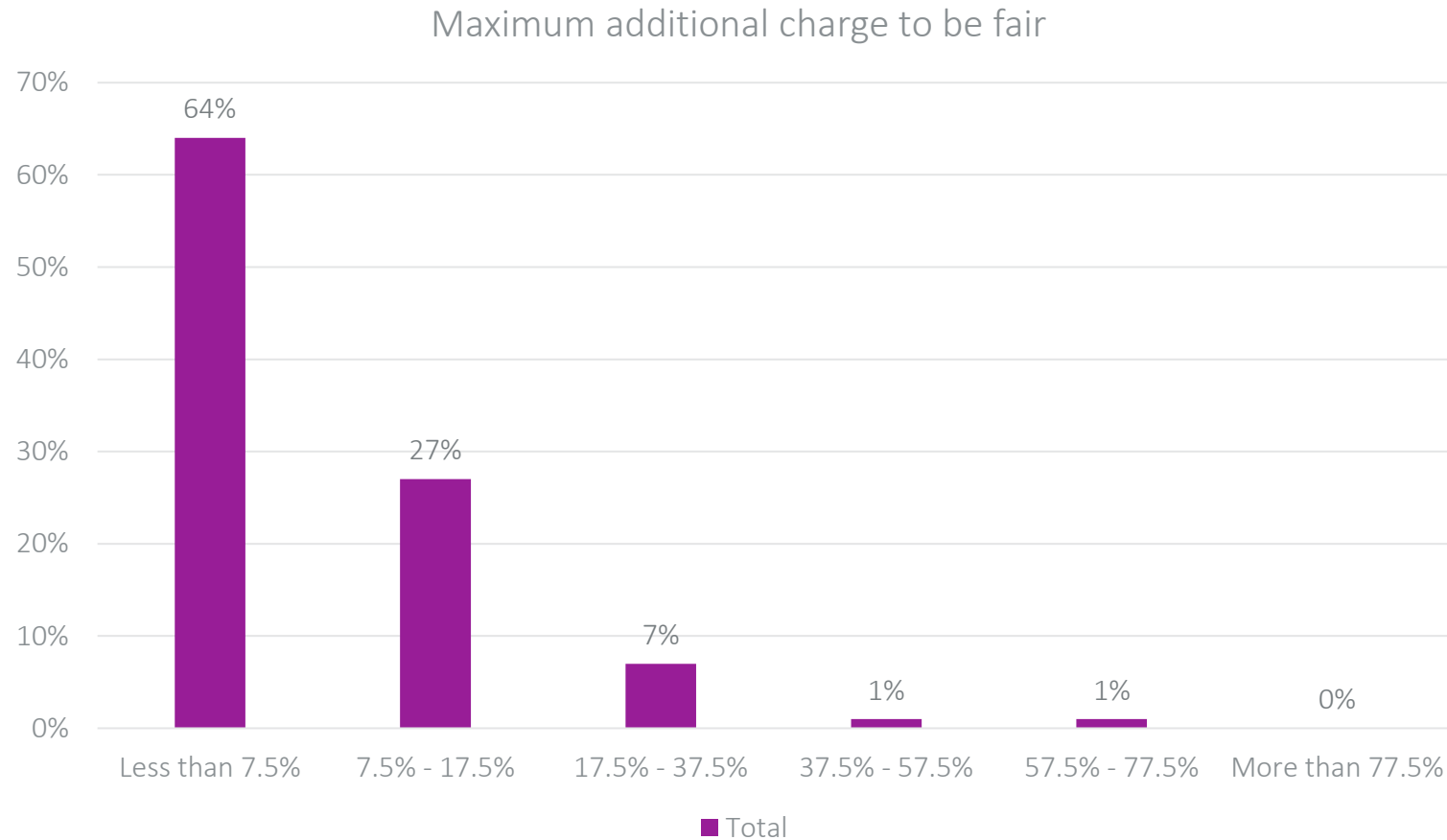
Payment upfront vs Premium Finance



"I think it would be unfair to those who can't afford to pay the lump sum as this would generally mean that they are poorer than those who can, so making them pay more in the long run would be really unfair."

- Female, 25-34, North West

Fairness of additional charges

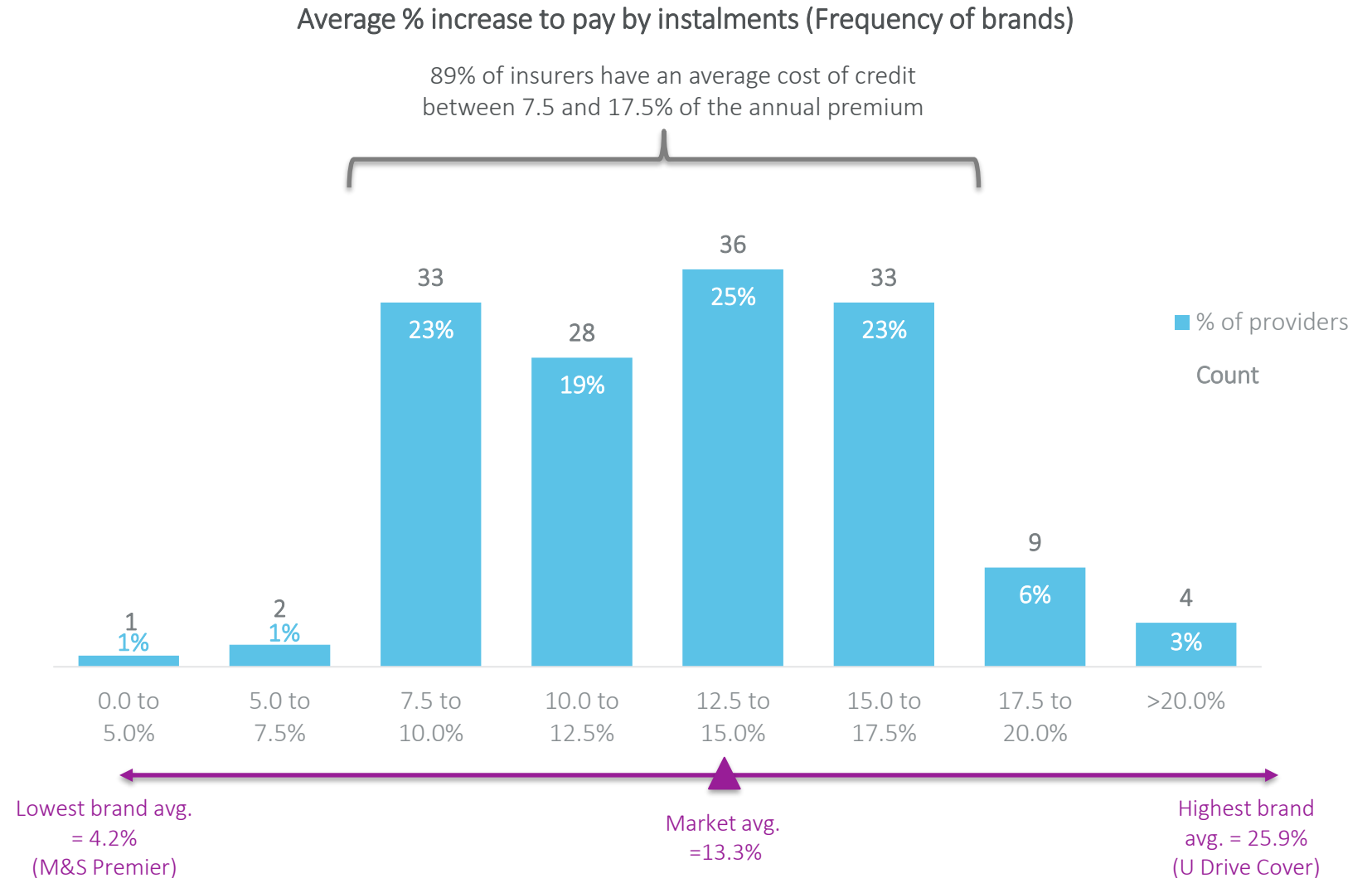


“.....I accept that instalments should cost more, but never more than 10% to cover the extra administration and all of the interest”

- Male, 65+, Wales

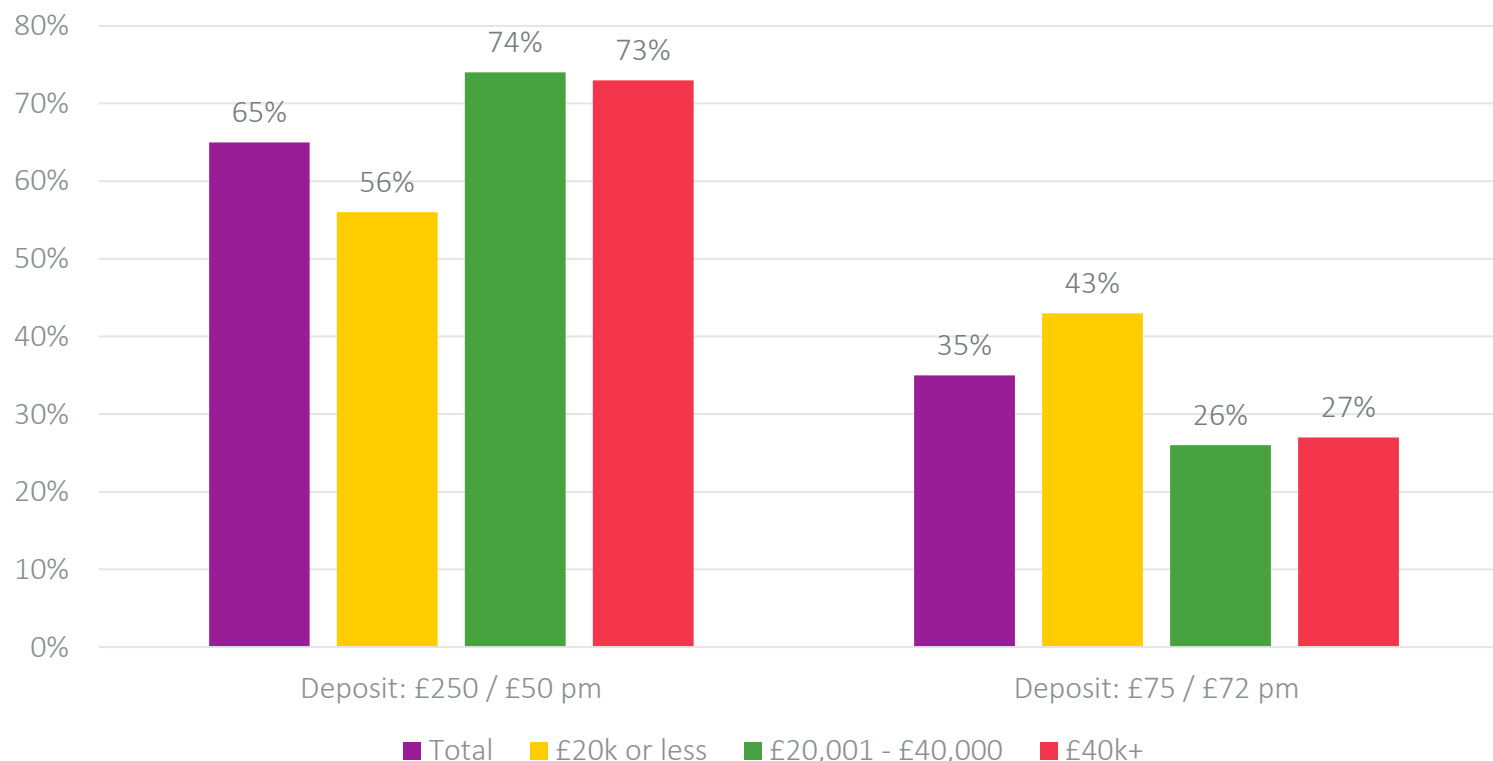
How much do insurers charge consumers to pay monthly? (October 2020)

- 9 out of 10 insurers are applying an average cost of credit between 7.5% and 17.5% to consumers wanting to spread their payments across the term of the policy.
- The average cost of credit across the whole market is 13%, or £157.
- The most common costs charged by insurers to pay by instalments are in the region of 12.5-15% with a quarter (25%) of providers having an average in this range.
- The average charges per brand ranges from four to 26% of the annual premium.
- The maximum cost of credit seen across all quotes was 61%.



Likelihood of managing payment plans today (by income)

Considering your current financial position, if you needed to buy this policy today, which of the following would you have to opt for?



“Because whether you pay a low deposit or high deposit you are still purchasing the same policy”

- Female, 45-54, Wales

“I don't think paying a lower deposit up front should increase your overall policy payment, you are getting the same cover, and ultimately how many people will actually claim on their insurance to account for this extra £67 per person

- Male, 25-34, Yorkshire & The Humber



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