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Payment Protection Insurance aka PPI is designed to make your monthly loan repayments in case you are unable, due to accident sickness or redundancy. But customers mis-sold their PPI could have debts written off and the insurance refunded.

It is estimated 85% of customers take out protection insurance when purchasing a loan, credit card or a mortgage for redundancy insurance or critical illness cover.

However, many customers have purchased loans without realising that payment protection is attached, or have been mis-sold credit cover with their mortgages or loans, resulting in paying unnecessary insurance.

How can mis-sold Payment Protection Insurance help Write off Debt:

Borrowers could get their credit card debts written off due to being mis-sold credit card loans with Payment Protection which was unnecessary or not asked for?

In a recent UK court ruling, MBNA failed to sue a customer for non-payment of a premium because the judge ruled the lender had breached the Consumer Credit Act when selling PPI without her knowledge. MBNA could not produce a signed copy of the credit agreement to prove it was an enforceable credit agreement. Having miss-sold the loan insurance, the loan was written off.

How to reclaim PPI Insurance and save money:

The following points may help consumers ensure they don't purchase unnecessary payment loan insurance or from being mis-sold this cover.

It's important to note that the interest rate also known as the APR of a loan does not include the cost of payment protection. A consumer should check the cost of the cover alone and work out if it is necessary and seek out more competitive quotes. Sometimes insurance can be purchased separately at a fraction of the cost.

If you are unhappy with the cost of the loan insurance or were not aware it had been added to your loan, you should be able to cancel the agreement. Although some lenders will allow the loan to continue with the PPI removed, others may charge an admin fee.

Some consumers may already be covered by another policy without realising, meaning they could be paying for unnecessary cover.

Most importantly, check that the policy cover is appropriate to the consumer's circumstances.

Mis-selling checklist:

If you think you have been mis-sold Payment Protection with the loan, the following points will help in reclaiming the cost:

Was it made clear that the insurance was optional?

Were you told about any exclusion under the policy - e.g. the exclusion that says you won't be

covered for any pre-existing medical condition?

When you took out the loan agreement, were you made aware that you would have to pay for the insurance up front in one single payment?

If you had to pay for the PPI as a single payment, was it made clear that the cost of the insurance would be added to the loan and you would be paying interest on it?

Single premium PPI insurance normally only lasts for 5 years. If your loan was for longer than this, was it made clear that the insurance would run out before you had finished paying for your loan?

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