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When taking out a mortgage, personal loan, credit card or store card, itâ€™s most likely that you have come across certain insurance policies to cover your repayments if for some chance you are unable to work or made redundant. These insurance policies are known as PPI (Payment protection insurance). However PPI have gained bad press over recent years due to a mis-selling scandal in which Payment protection does very little protecting. So how does one reclaim payment protection insurance?

If you think you have been mis-sold PPI then the first step to take is to contact your bank or whoever arranged your loan and insurance, to revise the policy and highlight why you deserve a refund. Many organisations offer help and advice with this initial approach to reclaim payment protection insurance with sample letters and in-depth advice. Your bank will then accept or reject your claim within 8 weeks. However itâ€™s worthy to note that most banks may be receiving new claims whilst working on existing requests to reclaim payment protection insurance.

In most cases however, you neednâ€™t contact your bank. Banks are legally obliged to contact their customers if they have reason to believe they have been affected by mis-sold PPI. Some have recently promised to repay all affected customers on a "no-quibble" basis. Some reasons for mis-sold PPI can be down to banks systematic failures such as:

â€¢ Call centre staff giving the impression that borrowers will only be accepted for their loans if they signed up for PPI

â€¢ Training staff wrong

â€¢ Automatically including the cost of the policy in the loan repayment quote

Even though Banks are obliged to contact you, it is still wise to proactively seek to reclaim payment protection insurance due to the number of new claims or if your situation isnâ€™t being looked into.

The main problem with PPI is that there are over 20 million policies within the UK alone which generate billions for credit providers. Insurance is not included in a loans APR. So it may appear cheap on the surface. Also, premiums are often placed on the front of the loan so you end up paying the interest on them during the loan period. Some claims donâ€™t even allow you to make a claim after the 12 month period whilst you continue to pay your premiums.

Some companies offer services to reclaim payment protection insurance in which you discuss your eligibility and where you were mis-sold PPI before being given a complaint letter to forward onto your bank or loan provider.

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