Title:
Is Payment Protection Worth It?

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515

Summary:
PPI can be worthwhile if you can afford the payments and you have a low balance. However, if you are self-employed and need to save money, then PPI is something you can usually do without.

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Article Body:
If you have a credit card, then you will have been offered payment protection insurance to go with it. You may or may not have taken the insurance, or it may have been included in your charges without you knowing. Many people have payment protection, but are unsure of its costs and benefits. Payment protection can be useful, but it is also expensive and only worthwhile if you really need it. Here are some hints and tips to help you decide if payment protection is worth the money you pay for it:

What is Payment Protection Insurance?

Payment Protection Insurance, or PPI, is a type of insurance policy for credit cards. The policy covers your payments should you have an accident or illness or lose your jobs. The idea is that if you cannot pay your bill through no fault of your own, then the insurance will cover your payments. However, there are a number of pitfalls with such insurance, apart from the fact that it is usually quite expensive.

Limited pay out period

One problem with PPI is that it only pays out for a certain amount of time. If you have a serious illness and cannot pay for months or years, then this insurance cannot help you. The usual maximum payment period is a year. However, the way the debt is paid off by the insurance should mean you are debt free after this period.

Hidden costs

One of the main problems with PPI is its cost. PPI usually costs 70 or 80p per £100 outstanding balance. This means the cost is very high when you owe a lot of money, but you often don’t realise this because the large numbers involved hide the charges. Also, if you pay by Direct Debit each month, by the time you have tried to claim the bill might have already been paid by the debit.

Rarely pays out

Another issue with PPI is that the amount you area actually covered for is very small. You often pay for things that are of no relevance to you. For example, if you are self-employed you cannot claim for most of the unemployment cover, but you still pay for it. If you are going to get PPI, then check to make sure that you have the cover you really want and that the policy is useful for you.

Other options

Due to the problems with PPI, it pays to look at the alternatives. Obviously, one alternative is to not have PPI at all. It costs you money, especially if you have a large balance, and gives you few benefits. However, the best alternative to PPI from credit card companies is to get a policy from an independent company. These PPI policies are usually a flat rate of only a few pounds, and will give you cover in case you need it for much less money.

PPI can be worthwhile if you can afford the payments and you have a low balance. However, if you are self-employed and need to save money, then PPI is something you can usually do without.