IHT and Payment Protection Insurance (PPI)

Synopsis: IHT, Payment Protection Insurance (PPI) and the Plevin rule.

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An individual may have had several claims against different financial institutions relating either to the mis-selling of a PPI policy in which the claimant was entitled to the return of the premiums paid or a 'Plevin' claim.

The FCA's deadline for making a claim on PPI ended back in 2019. After this date, it has not been possible to receive compensation by contacting the provider or the Financial Ombudsman. (Although it is still possible to make a claim by going through court.)

However, it is still possible to make a 'Plevin' claim. The 'Plevin' rule is based on a 2014 court case brought by Susan Plevin. The court ruled that as she was not told about the huge amount of commission taken from her PPI payment – over 70% – she was mis-sold it.

The FCA's 'Plevin' rule says that if over 50% of a PPI's cost went as commission to the lender, and that was not explained to the customer, the customer is due a refund of the balance (i.e. the amount of commission in excess of 50%).

PPI claims normally fall within one of the following three scenarios, and HMRC has set out the IHT consequences under each scenario…

- The PPI claim was settled on or before the claimant's death: the value of the claim will already be reflected in the claimant's estate, whether in their bank account or as an uncashed cheque, and so no further disclosure will be required.

- The PPI claim is submitted, but no indication by the time of death of whether it might be successful: personal representatives should return a nil value on the form IHT400 on the basis that as at the date of death there was no indication from the relevant financial institution as to whether or not the claim was admitted. This also includes claims that were submitted by personal representatives after the date of death.

- The PPI claim is admitted by the financial institution, but the compensation payment is not received by date of death: applying a 5% discount to the proceeds would not be deemed unreasonable. As an individual may have been sold PPI by more than one financial institution, each claim must be considered separately when applying the above criteria.

It can be seen that the value of the right to pursue compensation or apply any discount depends on the particular facts of the case.

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