

The complaint

Mr M complains that HSBC UK Bank Plc did not fairly compensate him after it mis-sold payment protection insurance ('PPI').

What happened

HSBC accepted it had mis-sold PPI to Mr M and it offered to pay £940.68 to compensate him for that mis-sale.

Our adjudicator initially thought HSBC's offer was fair. Mr M did not agree and the matter was passed to me for an ombudsman's decision.

I issued a provisional decision because I thought Mr M had paid more for the PPI policy than HSBC had calculated. Mr M had provided a considerable number of statements and I indicated to HSBC that I would require it to make some assumptions about when the cost of the PPI premiums had increased. I also identified two one-off payments Mr M had made towards his borrowing and said that HSBC would need to take these payments into account when re-calculating compensation.

Mr M responded to say he accepted my provisional decision.

HSBC responded to say that after further enquiries, it had found some more information about when the cost of the PPI policy would have changed. It also said Mr M wouldn't have been charged for PPI on the two one-off payments I had identified. That's because the cover was charged from his regular monthly payments.

On 26 June 2023, HSBC then revised its offer and said it would pay £1,240.67 to Mr M to compensate him for the mis-sale. HSBC worked out that Mr M paid £447.99 in total for PPI. It also worked out net simple interest at £792.68.

I asked our investigator to pass that revised offer to Mr M with an indication that I thought it was now fair. In response, Mr M understandably requested that I issue a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I have upheld the complaint, but my decision is that HSBC's latest offer is fair. I'll explain why.

The parties agree that PPI was mis-sold. So, I don't need to look at what happened at the point of sale. Instead, I have to consider whether HSBC's offer to compensate Mr M for that mis-sale is fair.

In a case such as this, insofar as it is possible to do so, I'd expect HSBC to return Mr M to the position he would have been in if PPI had never been sold in the first place. On that basis, HSBC would need to work out and refund to Mr M what he paid each month for the

PPI policy. HSBC would also need to pay simple interest on each payment from the date Mr M paid it until the date he gets that money back. The rate of simple interest would be 15% a year up to April 1993 and 8% a year thereafter.

HSBC does not have full records of all the PPI premiums Mr M paid. That's not unusual given how long ago the PPI was sold. Businesses aren't required to keep records indefinitely. Mr M has helpfully provided a considerable number of statements. Understandably, he does not have a full set of statements. I wouldn't expect either party to retain full information for such a long time.

In his complaint form, Mr M said he thought the PPI policy had run from 1990 to approximately 2014. However, as I said in my provisional decision, HSBC's electronic records suggest that the loan facility with PPI attached started on 19 September 1990 and ended on 28 September 2000. Looking through all the statements Mr M provided, I haven't seen evidence to suggest that he paid for PPI either before or after those dates. On that basis, I'm satisfied that the PPI ran between 19 September 1990 and 28 September 2000 and that the first payment of PPI would have been debited on 1 October 1990.

The next question is how much Mr M paid for PPI between those dates. PPI was charged at a percentage of Mr M's monthly repayments. From Mr M's statements, I can see he made monthly repayments of £40 initially when the repayments increased to £50 per month at some point between August 1992 and August 1993. He paid £2.80 per month at first and HSBC told us it now believed the PPI cost went up to:

- 8% from June 1993;
- 8.19% from March 1995;
- 8.3% from August 1997; and
- 8.38% from October 1999.

Taking all of this into account, HSBC has now calculated that Mr M paid £447.99 for PPI. It has assumed that Mr M paid for PPI every month. HSBC said Mr M wouldn't have been charged for PPI on the two one-off payments I identified in my provisional decision. With that in mind, I am satisfied it was fair for HSBC to exclude those repayments from its calculation. Looking at what we know about Mr M's monthly repayments and the change in PPI costs, I'm satisfied HSBC has now fairly calculated what Mr M paid for PPI.

HSBC has also calculated simple interest at 15% a year up to April 1993 and 8% thereafter. It has deducted tax from interest at the rate of 20%, as required by HM Revenue and Customs. However, if Mr M does not pay tax, he may be able to claim this deduction back from HM Revenue and Customs. The interest calculation is in line with what I would expect, and I am satisfied it is now fair.

I can see from his response to my provisional decision that Mr M believed HSBC may have deliberately delayed his complaint. I've thought about this point. Even if HSBC did delay Mr M's complaint, I think the simple interest HSBC offered is a fair way to compensate Mr M in any event.

I say this because simple interest is paid to compensate Mr M for the time he was out of pocket for the PPI – in other words it is paid because Mr M had been kept out of money he would have otherwise had. Simple interest is paid up to the date Mr M gets that money back. And I think that's a fair resolution in this case.

With all of this in mind, HSBC's offer of 26 June 2023 is fair. But to be clear, I require it to put things right for Mr M as I have set out below.

Putting things right

I require HSBC to put things right for Mr M. In doing so, it must:

- calculate and refund to Mr M what he paid for PPI each month. I understand this amounts to £447.99;
- calculate and pay simple interest* on each PPI premium from the date Mr M made paid for his premium up to the date he gets that money back.

*HM Revenue and Customs may require HSBC to take tax off this interest. HSBC must give Mr M a certificate showing how much tax has been deducted if he requests this.

My final decision

I require HSBC UK Bank Plc to put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 25 July 2023.

Nicola Bowes
Ombudsman