

The complaint

Mrs T is unhappy with the amount of compensation HSBC UK Bank Plc (“HSBC”) has offered to settle her complaint about a mis-sold payment protection insurance (PPI) policy taken out alongside her mortgage.

What happened

Mrs T said she took out a PPI policy with a mortgage in 1991, and that the policy continued until 1996. She made a complaint about it to HSBC some time ago, but it said it couldn’t find any policy records. HSBC then contacted Mrs T in August 2021 to say that it had not provided her with the correct information, and it offered her additional time to complain.

HSBC subsequently upheld Mrs T’s complaint that she’d been mis-sold the policy, but couldn’t find any evidence to confirm that the policy was taken out before 1996. It offered her £119.98, plus an additional £50 in recognition of the inconvenience, to compensate her for this mis-sale.

HSBC said the compensation aimed to put Mrs T back in the position she would have been in had she not taken the PPI. Mrs T wasn’t satisfied that HSBC had taken account of all of the premiums she’d paid.

Our adjudicator looked into this, and said she thought what HSBC had offered Mrs T was fair. But Mrs T still wasn’t satisfied and so the case was passed to me for review.

I issued a provisional decision in September 2023, in which I explained why I thought that HSBC should increase its compensation in line with notes provided by Mrs T. Mrs T said she agreed with my conclusions. HSBC did not agree, and I have set out their response in more detail below.

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.

As HSBC has upheld Mrs T’s complaint that the PPI was mis-sold, I am not looking at the sale of the PPI in this decision. I am only considering if HSBC’s offer of compensation for the mis-sold PPI is fair.

I’ve decided to uphold Mrs T’s complaint. I’ll explain why.

I set out my reasoning in my provisional decision as follows:

“Looking at HSBC’s final response letter and compensation calculation, I note that it says it has calculated premiums for the period 15 May 1996 to 31 May 1996 – a period of two weeks. I also note that underneath the redress calculation, it says “Please note that the start date of the policy provided by..... (the insurer) might not be correct. Should this be the

case, please provide either a copy of the policy schedule or bank statements showing the date of the first premium paid and we will be happy to review this case”

I should say here that the policy was a joint one, and Mrs T's complaint is about her share of compensation – that is 50% of the premiums paid, plus interest and less tax. This would put her in the position she would've been in had the policy not been mis-sold, as compensation is designed to do. Mrs T was certain that the policy commenced on 4 October 1991 and ended on 4 October 1996, based on handwritten records that she had found.

HSBC then forwarded a screenshot of information from the insurer. This shows that the monthly PPI premium in 1996 was £17.40, and that five premiums were paid, cover ending in November 1996. That end date is broadly consistent with Mrs T's records.

Mrs T then provided extracts of her handwritten records of her bank account and credit cards – effectively her ledger. She said she had found that premiums totalling £937.98 were paid. We forwarded these extracts to HSBC, but it refused to accept handwritten records as evidence of premiums paid. However, it said it would reconsider matters if Mrs T could find statements or other documents as evidence.

Mrs T has now sent in a full copy of her bank account ledger from 1991 to 1996. I accept that neither she nor HSBC has documentary evidence such as a policy document or bank statements. But having carefully examined the ledger – which runs to some 40 pages - I find it plausible and persuasive. It contains detail of all household expenditure, and clearly was maintained over the period. I can see differences in handwriting as you would expect with entries being added on a regular basis, and notes in the margins. For the avoidance of doubt I am satisfied that this has not been constructed for the purposes of this complaint. Mrs T has not given permission to pass this to HSBC, but I can confirm that I have reviewed it fully and found the following entries that I am persuaded are the relevant premiums.

- 4 October 1991 to 1 February 1992 - 2 x £15.00 = £30.00
- 1 March 1992 to 1 February 1993 - 12 x £18.00 = £216.00
- 1 March 1993 to 1 October 1994 - 20 x £20.40. = £408.00
- 1 November 1994 to 1 April 1996 - 18 x £20.91 = £376.38
- 1 May 1996 to 1 October 1996 - 6 x £17.40 = £104.40

The total of these premiums is £1,134.78.

In summary, I accept that neither HSBC nor Mrs T has documentary evidence of the policy start date and premiums, but in the absence of such evidence, in this case I am satisfied that the information Mrs T has provided is sufficient to demonstrate the existence of the policy from 1991. And I note that HSBC itself accepts that the information provided by the insurer may be inaccurate.”

I further said in my provisional decision that, for those reasons, I proposed to uphold Mrs T's complaint.

As I noted above, Mrs T accepted my conclusions. However, HSBC responded to my provisional decision to say that it had concerns with using a customer's personal handwritten ledger as evidence – in the past it had had similar examples provided, and after further scrutiny, it had found that the information contained was an elaborate attempt to obtain a refund of premiums. HSBC further said that, if Mrs T had kept an old ledger, it would be an assumption that other official paperwork ought to be available too, that it could accept

as evidence to support a recalculation of compensation. HSBC asked that I seek more concrete evidence.

We asked Mrs T to have one further check to see if she could find any documentation relating to the PPI. She could not, but she was able to provide a copy of her mortgage endowment policy, which started on 5 September 1991. The premiums for this are also accurately shown on Mrs T's ledger.

The endowment policy start date is consistent with the start of the PPI policy, and had a mortgage sum assured of £25,000. Whilst I don't have HSBC's PPI premium rates from 1991, a monthly PPI premium of £15 is in the range of what I'd expect to see to cover the payments due on a mortgage of that size, based on interest rates at the time. And it seems to me that the endowment policy would have started at the same time as the mortgage that it was covering.

Mrs T further said that she kept the endowment policy information as that continued after the mortgage was repaid, but other than that she only kept her handwritten notes as they were interesting to her.

I understand HSBC's concerns, and I would usually expect to see some documentary evidence of the policy. However, in this particular case, and having examined Mrs T's ledger at length, I found the information plausible and persuasive, as I said in my provisional decision.

The existence of a policy is not in dispute here – the issue is the start date - and I've kept in mind that HSBC invited Mrs T to resubmit her complaint, and itself stated that the start date of the policy given by the insurer may be incorrect. I accept that PPI policies weren't only sold at the start of a mortgage, but in this case it seems to me that there's a greater likelihood of Mrs T's policy being sold alongside the mortgage and endowment policy, rather than five years later (and only being in place for a few months).

I've carefully considered what HSBC has said, but in this particular case I'm persuaded by the information provided by Mrs T that the policy started in 1991 rather than 1996. I've not found HSBC's submissions sufficient to change my conclusions. So I uphold Mrs T's complaint.

Putting things right

HSBC should put Mrs T in the position she'd be in now if she hadn't taken out the PPI. So HSBC should:

- Pay Mrs T 50% of the amount paid each month for the PPI, based on the premiums stated above.
- Add simple interest to her share of each payment from when it was paid until she gets it back. The rate of interest is 8% a year*.
- If it has not already done so, pay Mrs T the sum of £50 in recognition of the inconvenience caused, as set out in its original offer of compensation.

*HM Revenue & Customs requires HSBC to take off tax from this interest. HSBC must give Mrs T a certificate showing how much tax it's taken off if she asks for one.

My final decision

I've decided to uphold Mrs T's complaint. HSBC UK Bank Plc should compensate Mrs T as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 17 November 2023.

Jan Ferrari
Ombudsman