

complaint

Mr T complains about a monthly mortgage payment protection insurance ("MPPI") policy added to his mortgage account. He approached HSBC Bank Plc ("HSBC") in June 2000 to arrange an equity release loan to consolidate existing debts. It was during this transaction the MPPI was added to his mortgage account.

Mr T also took out further equity release loans in October 2002 and May 2004 in which the MPPI was increased. He complains on the basis he was mis-sold the MPPI.

background

Mr T complained direct to HSBC bank who did not uphold his concerns about the sale. Mr T then brought his complaint to this service and an adjudicator in his case has also decided to not uphold this complaint.

Mr T has now asked for an ombudsman to provide a full review of the file and to provide a final decision in relation to this matter.

my findings

I have only included a brief summary of the complaint details above. However, I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

In doing so I have also taken into account the law, regulations where applicable and good industry practice at the time the policy was sold.

The key questions I will consider in this case are as follows:

- Whether HSBC gave Mr T information that was clear, fair and not misleading in order to put him in a position where he could make an informed choice about the insurance he was buying;
- If HSBC was giving advice or making a recommendation, whether it took adequate steps to ensure the product being recommended was suitable for Mr T's needs.

If there were shortcomings in the way in which Mr T was sold the policy, I will also consider whether he is worse off as a result; that is, would she have done something differently – such as not taken out the policy – if there had been no shortcomings.

I have decided to not uphold Mr T's complaint. I shall explain why.

basis of sale?

Mr T and HSBC agree that this was an advised sale. I have examined the documents from the sale and I agree. This MPPI was sold following a full financial planning review where HSBC recommended the MPPI to Mr T. As this was an advised sale HSBC had to ensure that the MPPI policy it was recommending to Mr T was suitable for him at the time and met his needs and circumstances. HSBC also had to ensure that the information it gave to Mr T about the MPPI was clear and fair and did not mislead in any way.

did Mr T have a clear choice when selecting the MPPI policy?

I have been provided with documentation from the sale by HSBC. I can see that this sale followed a full financial planning review in which Mr T attended the branch twice in June in 2000. It is clear within the conversations with Mr T that his protection requirements were discussed. I say this as the review records recommendations made to Mr T. This review documents *"I recommend that your mortgage payments be protected with a Mortgage Repayment Protector which will provide a selected monthly benefit in the event of unemployment, sickness or being unable to work as a result of an accident...This cover of £650 has a monthly premium of £33.61"*. I can see that as a result of this meeting Mr T was then sent the recommendations made to him by a personal letter addressed to him. It appears that at some stage Mr T has selected a monthly benefit of £500 following this review and a monthly premium cost of £29.70. I say this as HSBC have confirmed this benefit amount and cost to this service.

Mr T has not complained that the MPPI was sold to him as mandatory or compulsory. And, upon reviewing the documentation it appears to me that it is just as likely that Mr T was aware the MPPI was optional and has decided to select the protection for this additional borrowing. There is nothing before me that suggests this MPPI was sold as not optional. On this basis I am satisfied that it is just as likely that Mr T has selected the MPPI in June 2000 knowing it to be optional.

was the recommendation to purchase the MPPI suitable for Mr T?

Mr T has told us that he was working full-time at the time of selecting the MPPI and was aged between 18-65 years of age and resident in the UK and would have had a mortgage with HSBC at the start date. I find that he was eligible for the policy at the time.

Mr T has also told me that he was healthy at the time of the purchase. It appears that he would not have been caught by any of the restrictions which may have impacted upon others, for example those with pre-existing medical conditions or those who were self-employed. As such he could expect to benefit from the policy in the event of having a need to claim. I acknowledge too that Mr T did in fact make a claim on the MPPI during the life of the policy.

Mr T has explained that he was entitled to six months' full pay and six months' half pay if he was unable to work due to accident or sickness. The MPPI would have provided Mr T with protection if he was unable to work for up to 12 months per claim for accident and sickness, as well as 12 months per claim in the event of unemployment. Despite Mr T telling me that he had six months' full pay and six months' half pay if he was unable to work I am persuaded the MPPI would have provided Mr T with benefits he would have found useful when his full pay expired and this would have provided peace of mind at the time. The MPPI would also have enabled Mr T to put such sick-pay benefits to other uses.

Mr T has complained on the basis that the MPPI was not necessary. He has provided me with evidence of a pension he was also in receipt of at the time. The MPPI protected Mr T's income and beyond his six month's full pay Mr T may well have struggled to meet his mortgage commitments. I am persuaded that despite Mr T's workplace provisions and pension, the MPPI would have provided suitable benefits from which he stood to gain from if required. I have also not seen any evidence which suggests that the cost of the MPPI was in any way prohibitively expensive and unaffordable for Mr T.

On balance I am satisfied this policy was a suitable recommendation for Mr T at the time.

did HSBC provide Mr T clear and fair information about the MPPI?

HSBC have said that at the time Mr T took out the policy he would have received a product brochure and policy document. I can see that the financial planning review contains a section which describes that a consumer has received the key features documentation of the products to be purchased. However I cannot be sure that Mr T read the MPPI product brochure and understood the features of the policy. As such there is a risk that there were information failings in this sale. However, before I can uphold a complaint I need to be able to say that the information failing has caused a consumer detriment. I cannot safely say in Mr T's case that the information failings have caused him any detriment. I explain why below.

Even if the information in this case was not disclosed fairly I cannot see how further information would have changed Mr T's mind about the MPPI. If he was presented with all the information about the policy in a clear and fair way it would have simply revealed to him that the policy was affordable at the time; provided him with protection he did not have, but had a need for and provided a benefit upon which he could expect to be covered for. Furthermore, given it is just as likely that he opted to select the policy and his circumstances at the time suggest to me that on balance he had a desire to be covered; I am persuaded that he would not have done anything differently if he was given the information in a clear and fair way. It is just as likely in my findings that he wanted the cover, tailored the cover to fit his needs and understood the nature of taking on a new financial commitment and wanted to protect his income. I cannot safely say that he would have walked away from this MPPI sale if he was provided with clearer information.

I find that there was a risk of information failings in this sale; however they have not caused Mr T any detriment. As such I do not uphold his complaint in relation to the June 2000 MPPI purchase.

subsequent MPPI increases

I am aware that Mr T increased his borrowing through further equity release loans in October 2002 and May 2004. In October 2002 a further £5,000 was borrowed increasing Mr T's lending commitments to a further £62.71 per month and in May 2004 a further equity release for £10,000 was granted adding a further monthly repayment of £161.05. HSBC have told me that the MPPI was increased following these further advances. In October 2002 the MPPI benefit level was increased to £600 with a monthly premium of £35.64 and further increased in June 2004 to a benefit level of £800 with a monthly cost of £47.52.

I am satisfied that Mr T was advised in these sales from the documentation provided by HSBC. For much the same reasons above I cannot say for sure what was discussed with Mr T however I am persuaded that the MPPI would have been discussed with him. On this basis it is just as likely that Mr T knew the MPPI was optional and has decided to increase his MPPI protection in light of the increases to his monthly mortgage liabilities.

I am convinced that the MPPI would have been a suitable recommendation as I have seen nothing which suggests any material change in Mr T's circumstances during these further equity release loans. The only substantial change being that Mr T was exposed to further mortgage repayments and monthly expenditure.

On balance I am persuaded that in light of Mr T's circumstances at the time the MPPI provided him with useful benefits he stood to gain from. By June 2004 especially; Mr T in my findings would have struggled to meet his mortgage commitments. The MPPI here would therefore have provided Mr T with useful breathing space if he was unable to work.

I am also satisfied that even if there were information failings in these MPPI increases, Mr T would not have been disadvantaged as a result. He was employed in a full-time position and did not have any pre-existing medical conditions at the point of sale. As such any terms impacting upon those who were self-employed or had pre-existing medical conditions would have been of no relevance to him. The MPPI provided him with benefits he stood to gain from and did not have replicated to the extent of the MPPI elsewhere, so further information about the MPPI benefits would not have dissuaded him from going ahead from the purchase. I have also seen no evidence which suggests to me that the cost of the MPPI was in any way too expensive for Mr T. All in all I am persuaded that the information if disclosed would have simply revealed to Mr T that it was a product he would have been interested in and from which he stood to gain. I cannot safely say therefore when considering the increases in 2002 and 2004 that Mr T would have done anything different.

I find that there was a risk of information failings in these MPPI increases; however they have not caused Mr T any detriment. As such I do not uphold his complaint in relation to the 2002 and 2004 increases.

my final decision

I do not uphold this complaint and I make no award against HSBC Bank Plc.

Daniel Lucas
ombudsman