

complaint

Mr A complains about a single premium payment protection insurance policy ("PPI") added to his personal loan by HSBC Bank Plc ("HSBC"). He approached HSBC for a loan for home improvements in July 2007 and it was during this transaction the PPI was added. He complains on the basis that he believes he was mis-sold the policy.

background

Mr A complained to HSBC who did not uphold his complaint. Upon bringing his complaint to this service an adjudicator in his case also did not uphold his complaint. He now asks for an ombudsman to make a final decision upon the matter.

my findings

I have included only a brief summary of the complaint above, but I have considered all of the available evidence and arguments from the outset in order to decide what is fair and reasonable in the circumstances. In doing so I have also taken into account the law, relevant regulations 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 A 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 A's needs.

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

I have decided to not uphold Mr A's complaint. I explain why below.

basis of sale

Both HSBC and Mr A agree that this was an advised sale conducted during a meeting with one of HSBC's representatives. On this basis HSBC had to ensure that the recommendation and advice they were providing to Mr A was suitable for his circumstances at the time. HSBC also had to ensure that they gave Mr A information about the PPI which was clear and fair.

was Mr A given a clear choice about the PPI he selected?

Mr A complains (amongst other complaints) that he was told that the PPI was a mandatory requirement to secure the lending he required. In summary that he felt obligated to take out the PPI so as to secure the loan he required. HSBC have told me that the PPI was an optional product and that one of their advisors would have explained this to Mr A during the meeting. I have to approach complaints based upon the evidence as a whole. I have to assess the information some time after the sale and form a conclusion upon what appears most likely to have happened. That is to say that on a balance of probabilities a particular

version seems more probable than not. In this sale I have been provided with a “*Demands and Needs and Recommendation Statement*” that was prepared following conversations with Mr A. This document quite clearly explains that the PPI was optional. I have noted that reference is made to the following “*We therefore recommend that you take out the optional Loan Protection*”. This recommendation appears to have been made following the information Mr A gave to HSBC. The Demands and Needs statement also concludes with the following: “*Customer Declaration: In line with the above recommendation, I agree to take the optional Loan Protection to cover my new loan*”. This suggests to me that Mr A was given the choice to refuse the optional loan protection and the recommendation made to him. I cannot say what was discussed in the sale, but it appears to me that Mr A was aware that the PPI was optional. As such I cannot safely say that HSBC sold the PPI to Mr A as a mandatory requirement. His complaint does not succeed on this basis.

was the recommendation suitable for Mr A?

As explained HSBC had to ensure the PPI was a suitable recommendation for Mr A. As such I look towards what the PPI offered him at the time of sale when assessed against Mr A’s circumstances.

The policy appears to have been suitable for Mr A’s circumstances at the time. He was eligible for the cover and it was affordable for him. Mr A has explained that he had no workplace benefits or sick pay entitlement if he was unable to work. As such the PPI would have provided him with welcome breathing space if he was unable to work due to accident or sickness. I find that given the loan repayment was quite substantial each month, he may well have struggled to meet his monthly loan obligations if he did not have the PPI. I note that the PPI paid for the duration of the loan agreement in the event of accident or sickness and for 12 monthly loan repayments in the event of unemployment. The PPI also would have cleared Mr A’s balance in the unfortunate case of his death. The policy therefore provided a benefit he would have found useful in the event of having to claim and for which he didn’t have in place at the time of the sale via other sources. I cannot say he found the cost of the policy unaffordable as the costs are clearly displayed on the subsequent loan agreement and he has proceeded with the loan on this basis.

Although the policy included conditions limiting the cover for some people (for example, those with pre-existing medical conditions or the self-employed), it doesn’t appear these restrictions applied to Mr A’s circumstances either, so he could have benefited from the full extent of the policy, if necessary. As the loan was for home improvements and Mr A was not consolidating any previous debt he did not have an immediate need for flexibility at the time. As such the restrictive cancellation terms and non-pro-rata refund would not have had an impact upon him. I find therefore that the policy was suitable for him.

did HSBC provide Mr A clear and fair information about the PPI?

I’m not satisfied in this case that HSBC drew Mr A’s attention to all the significant features of the policy. HSBC say that he would have received a Product Information Pack which would have included the policy documentation at the point of sale. However, given the passage of time I cannot say with any degree of certainty that Mr A did receive this. But it doesn’t automatically follow from this that I should uphold his complaint. I need to be satisfied that Mr A has lost out as a result – in other words, that he would have acted differently (and decided not to take out the policy) if HSBC had clearly explained all of the policy’s significant features.

Although I can't say that the policy's exclusions and limitations were drawn to Mr A's attention, I don't think this would have mattered to him. I say this because his circumstances at the time lead me to think it unlikely he would have been caught by those terms. He was employed at the time of the sale in a full-time position and was in good health too. He would not have been caught therefore by any restrictions impacting upon those who were self-employed or had pre-existing medical conditions for example. Any further information would have simply revealed that the PPI was a suitable recommendation for him and given that his circumstances suggested that he had a need for protecting his loan repayments I cannot safely say that he would have walked away from the PPI purchase had he been given clearer information about it.

Despite the risk of information failings in this sale I am of the view they have not caused Mr A any detriment. I do not uphold his complaint.

my final decision

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

Daniel Lucas
ombudsman