

complaint

Mr F says HSBC Bank Plc mis-sold him a payment protection insurance ("PPI") policy.

background

This complaint is about a credit card PPI policy taken out in 1995. The policy was added to Mr F's credit card account when he applied for the card.

Our adjudicator upheld the complaint. HSBC disagreed with the adjudicator's opinion so the complaint has been passed to me.

my findings

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

We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding Mr F's case.

I've decided to uphold Mr F's complaint because I don't think HSBC gave him clear enough information about the cost and benefits of the policy. HSBC has provided a sample of the application form Mr F would've seen if he hadn't taken out PPI. And we've seen samples of what the application would look like with PPI. And from this, I don't think Mr F would've known he would have to pay interest on his premiums. Or that he would have to continue to pay the premiums when making a claim.

I think this would have mattered to Mr F because he says he had sick pay from his employer that would've covered him for more than 12 months. This means he could've met his credit card repayments without the policy if he was off sick from work. So I think he probably wouldn't have wanted the policy if he'd properly understood the cost and benefits.

I don't think Mr F would've bought the policy if he'd had enough information about it. So, I think he has lost out because of what the business did wrong.

I've taken into account HSBC's comments, including what it said about Mr F not being able to remember how long his full sick pay would last for when it called him. But Mr F has told us that he'd receive full sick pay for over 12 months and I haven't seen enough to make me doubt what he's told us.

fair compensation

HSBC should put Mr F in the financial position he'd be in now if he hadn't taken out PPI.

- A. HSBC should find out how much Mr F would've owed when he closed his credit card account if the policy hadn't been added.

So, it should remove the PPI premiums added, as well as any interest charged on those premiums. It should also remove any charges that were caused by the mis-sale of the PPI – as well as any interest added to those charges.

HSBC should then refund the difference between what Mr F owed when he closed his account and what he would've owed if he hadn't had PPI.

If Mr F made a successful claim under the PPI policy, HSBC can take off what he got for the claim from the amount it owes him.

- B. HSBC should add simple interest on the difference between what Mr F would've owed when he closed his account from when he closed it until he gets the refund. The interest rate should be 15% a year until April 1993 and 8% a year from then on.[†]
- C. If – when HSBC works out what Mr F would've owed each month without PPI – Mr F paid more than enough to clear his balance, HSBC should also pay simple interest on the extra Mr F paid. And it should carry on paying interest until the point when Mr F would've owed HSBC something on his credit card. The interest rate should be 15% a year until April 1993 and 8% a year from then on.[†]
- D. HSBC should tell Mr F what it's done to work out A, B and C.

[†] HM Revenue & Customs requires HSBC to take off tax from this interest. HSBC must give Mr F a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons I've explained, I uphold Mr F's complaint.

HSBC Bank Plc should pay Mr F compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr F to accept or reject my decision before 19 February 2016.

Charlotte Wilson
Ombudsman