Financial Ombudsman Service

complaint

In July 2002 and January 2005 Mr W bought single premium Payment Protection Insurance (PPI) policies in branch meetings. These were alongside loans from HSBC Bank Plc, hereafter "HSBC". Mr W thinks that HSBC has acted unfairly in the sale of these PPI policies.

background

The PPI policies were single premium polices which were added to the loan amounts. Over the terms of the loans the PPI would attract interest. The PPI covered Mr W for accident, sickness and unemployment. At the point of sale Mr W was a UK resident and in full time employment.

my findings

I've considered all the available evidence and arguments to decide what's 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. I've taken this into account in deciding Mr W's case.

It is very difficult to know what happened or what was said in these meetings. My approach is to consider what I believe to be the most likely set of events. In doing this I take account of all the information available to me including any written material available from the meetings, the recollections of those who were present at the time, and my understanding of the practices of HSBC at those times.

I see that some documentation required Mr W to sign separately in relation to PPI. So I can see that some aspects of the sales process at those times might make customers aware that the policy was optional.

However I note that the sales process in place at both times meant that the customer would first be quoted a single monthly repayment figure for the loan that had been requested – but that was a figure which included the cost of PPI. Where the customer is not made aware that the policy has been included in this way (or where this is inadequately highlighted) is sometimes known as "*assumptive selling*".

Given the circumstances of many customers wishing to take out loans this can also lead to inadequate information being provided to customers about the decisions the lender are in fact asking the customer to make.

It could also lead the customer to believe that agreement to the loan is contingent on purchase of the policy. Even if this is not the intention of the business that designs such a process it certainly enhances the risk of unscrupulous sales staff representing the position unfairly.

This takes me to the crux of the problem. And that is I can't say how the PPI policy was presented to Mr W in the first instance on each occasion. From the information we have seen of the sales process at these times, it appears that the quote for PPI would automatically have been generated if Mr W was eligible for cover.

So I can't say that the representative presented the policy as optional as it seems it was assumed from the outset that Mr W would be buying PPI regardless of whether or not he wanted it.

HSBC have provided us with a copy of their "*Insurance Sales Acknowledgement Slip*" which it says supported a customer's selection of PPI. However I can't see that it does anything to support or emphasise the optional nature of the policy.

So based on everything that I've seen, I can't say it was more likely that HSBC made the optional nature of the policy clear to Mr W in each of these sales. So if Mr W had properly understood the optional nature of the policy from the start as I have described, I think he would have decided against taking out the PPI policy on each occasion. As a consequence of this it is my view that this complaint should succeed for both policies.

what the business should do to put things right

In each case Mr W borrowed extra to pay for the PPI, so his loan was bigger than it should've been. He paid more than he should've each month and it cost him more to repay the loans than it would have done. So Mr W needs to get back the extra he's paid on each loan.

So, HSBC should for each loan:

- Work out and pay Mr W the difference between what he paid each month on the loan and what he would've paid without PPI.
- Work out and pay Mr W the difference between what it cost to pay off the loan and what it would have cost to pay off the loan without PPI.
- Add simple interest to the extra amount Mr W paid from when he paid it until he gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on[†].
- If Mr W made a successful claim under the PPI policy, HSBC can take off what he got for the claim from the amount it owes him.

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

my final decision

I uphold Mr W's complaint against HSBC Bank Plc and require it to pay Mr W the compensation I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 9 November 2015.

Rod Glyn-Thomas
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