

complaint

Ms G says HSBC Bank Plc mis-sold her a payment protection insurance (PPI) policy.

background

This complaint is about a single premium PPI policy taken out with a loan in 2000. The loan included an amount to pay for the policy.

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 Ms G's case.

I've decided to uphold Ms G's complaint because I think HSBC recommended the policy to her, but I don't think it was suitable.

Under the terms of the policy, the maximum Ms G could claim on the policy for unemployment was 12 months. Looking at how much Ms G paid for the policy, the most that she could've received for a successful unemployment claim for the maximum time wasn't much more than the total cost of the policy. I think if Ms G had realised this, she wouldn't have thought the policy was right for her. While the policy did provide accident and sickness cover for the life of the loan, I don't think this was enough for Ms G to consider the policy worthwhile overall.

I haven't seen any evidence to suggest HSBC took this into account when it recommended the policy to Ms G. And I think if HSBC had told Ms G the total cost of the policy compared to the total unemployment benefit she could get, she wouldn't have taken it out. So, I think she's lost out because of what HSBC did wrong.

I've taken into account HSBC's comments, but I still think I should uphold the complaint.

what HSBC should do to put things right

Ms G borrowed extra to pay for the PPI, so her loan was bigger than it should've been. She paid more than she should've each month and it cost her more to repay the loan than it would have. So Ms G needs to get back the extra she's paid.

So, HSBC should:

- Work out and pay Ms G the difference between what she paid each month on the loan and what she would've paid without PPI.
- Work out and pay Ms G the difference between what it cost to pay off the loan and what it would've cost to pay off the loan without PPI.

- Add simple interest to the extra amount Ms G paid from when she paid it until she gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on[†].
- If Ms G made a successful claim under the PPI policy, HSBC can take off what she got for the claim from the amount it owes her.

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

my final decision

For the reasons I've explained, I uphold Ms G's complaint.

HSBC Bank Plc should pay Ms G compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms G to accept or reject my decision before 13 November 2015.

Amy Osborne
ombudsman