

complaint

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

background

This complaint is about a single premium PPI policy taken out with a loan in 2001. 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'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 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 made it clear the PPI was optional. There's little to show how HSBC made him aware that he had a choice about the PPI, or how it gained his agreement to it being added to his account.

Mr F says he applied for his loan at a meeting with HSBC. HSBC no longer holds a copy of his original loan paperwork. So it's sent us a copy of the type of agreement that it says he would've signed. This doesn't include a separate section where he could've said if he wanted PPI or not. There is a pre-printed statement to the effect that the customer had decided to take out the PPI. But I don't know what Mr F was told about PPI (if anything) before he signed the agreement. And the statement doesn't stand out from the rest of the agreement. So I think it would've been easy for Mr F to sign the agreement without realising he was taking out PPI – or to have thought it was just part of the loan.

HSBC says if PPI wasn't asked for, the statement added to the loan agreement would reflect this. But I don't think this is enough to show that Mr F was given a clear choice was given about the PPI. And Mr F says the PPI was added without his knowledge.

HSBC has also sent in a copy of the policy document that it says Mr F would've been given. And I can see that this would've told him that he could cancel the policy if he didn't want it. But if Mr F thought he had to have the PPI or that it was part of the agreement, there's a good chance he wouldn't have read the policy document or thought to question it.

HSBC also says that Mr F would've had to sign an 'Insurance Sales Acknowledgement Slip' when taking out his loan. But again it hasn't provided a copy signed by Mr F, and the example it's sent us is dated 2004. So I don't know if Mr F would've signed this kind of slip when he took out his loan back in 2001. In any event, I don't think this would've been enough to make him aware that the PPI was optional.

Looking at everything, I think it's most likely Mr F took out the policy even though he didn't really want it. And I don't think he would've done so if it had been made clear he had a choice about it. So, I think Mr F has lost out because of what HSBC did wrong.

what HSBC should do to put things right

Mr F 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 loan than it would've. So Mr F needs to get back the extra he's paid.

So, HSBC should:

- Work out and pay Mr F the difference between what he paid each month on the loan and what he would've paid without PPI.
- Work out and pay Mr F 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 Mr F paid from when he paid it until he gets it back. The rate of interest is 8% a year[†].
- 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.

[†] 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'm required to ask Mr F to accept or reject my decision before 13 November 2015.

Ben Jennings
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