

complaint

Mr C has complained about the mis-sale of two payment protection insurance (PPI) policies sold to him by HSBC Bank plc. In particular, he isn't happy about how the bank paid out compensation arising from his mis-sale complaint. So he's not satisfied that his mis-sale complaint has been adequately resolved.

background

I have attached my provisional decision dated 19 May 2015, which forms part of this final decision.

In my provisional decision I set out why I thought Mr C's mis-sale complaint wasn't adequately resolved. I asked both parties to let me have their final submissions by 19 June 2015. Mr C has sent through an email dated 15 June 2015 with some further comments. The business hasn't put forward any further submissions.

my findings

I have reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Whilst I appreciate Mr C's email and recognise the frustration he has with the business, there isn't anything new that he has said with regard to this particular complaint. So there is no reason for me to depart from the conclusions set out in my provisional decision.

I appreciate Mr C may feel disappointed by my decision. But I hope that he can understand how difficult it would've been for me to have reached a different and fair conclusion based on the information I have.

fair compensation

Whilst it's technically right that during the period between August 2012 and the eventual discovery of the bank's mistakes more interest would've accrued on his debt than would otherwise have happened if the mistakes hadn't occurred - I think the fairest and most appropriate remedy is for HSBC Bank plc to pay £400 in compensation to Mr C to reflect the distress and inconvenience caused by its mistakes.

This sum is in addition to the £100 that it already paid to Mr C in December 2012.

my final decision

For the reasons set out in my provisional decision, I don't think that Mr C's mis-sale complaint was adequately resolved. Whilst I don't direct HSBC Bank plc to write off the existing debt, I do direct it to pay compensation in line with the above instructions.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr C to accept or reject my decision before 24 July 2015.

Anthony Harrison
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Mr C has complained about the mis-sale of two payment protection insurance (PPI) policies sold to him by HSBC Bank plc. In particular, he isn't happy about how the bank paid out compensation arising from his mis-sale complaint. So he's not satisfied that his mis-sale complaint has been adequately resolved.

background

In May 2005, Mr C took out a single premium PPI policy alongside a personal loan. He also took out a PPI policy for a credit card at the same time.

With regard to the loan, Mr C fell into arrears and so the debt was passed on to a debt recovery company. In October 2010, the outstanding balance was £5780.

Mr C complained to the business about the sale of his PPI policies. And in a letter dated 3 August 2012, the business upheld Mr C's complaint with regard to the single premium PPI policy on the loan and offered Mr C redress of £992.35. The business didn't uphold Mr C's complaint with regards to the credit card at that stage but did offer £61.88 as good will gesture. In the same letter the business said that the redress would be used to reduce the outstanding balance with the business.

On the 17 August 2012, Mr C called up the business as he wasn't happy about the redress payment being used to pay down his outstanding loan balance. He says that he was told by the sales representative on the phone that whilst the redress would be paid into the loan account, the loan would be closed and fully settled with no outstanding debt with HSBC to pay. He also says he was told that he didn't need to make any further repayments on the debt.

Following the conversation, Mr C signed the offer acceptance form. He made a written note at the bottom of the form summarising what was discussed in the call.

As it transpired the debt wasn't "full settled" but simply reduced using the total redress payment (£1054.23).

The business accepts that it made mistakes in the information it gave to Mr C during the phone call. It paid Mr C £100 to compensate for this.

Mr C's primary concern is that he was promised a full settlement of the debt but didn't get it. And so he wants the business to honour its original promise and clear the whole debt.

The adjudicator didn't think that the business should clear Mr C's debt and that the business acted fairly when offering compensation for the inconvenience caused by their advisor.

Mr C disagrees with this view. So the case has been passed to me.

my provisional findings

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

The starting point for this case is the phone call that took place on the 17 August 2012 between Mr C and the business.

The business have said in their letter dated 6 December 2012 that the advice given to Mr C was that: *"as the loan was shown on the account as closed, the PPI refund had already been credited and this was the loan fully closed and paid off"*.

Not only was the loan not “fully closed and paid off” but the PPI refund hadn’t been paid into Mr C’s account at the time of the call– this only took place on the 5 September 2012 according to the screenshot provided. So the bottom line is that the business mis-informed Mr C as to when the redress was paid and what the effect of that payment would be.

What’s more, those errors could’ve been spotted by the business once it received Mr C’s offer acceptance form on the 22 August 2012 given the note at the bottom which made it clear that he thought that the loan would be fully settled. And given his request for written confirmation that the loan was closed.

Instead, Mr C had to bring the non-settlement issue to the business’s attention in November 2012.

So there were clear failings on the part of the business in terms of the way it handled the administration of this case.

But the question is would it have made a difference had the mis-communication over the phone not occurred and if Mr C been properly informed?

In the circumstances, I don’t think it was unreasonable for the business to use the remedy arising from the single premium complaint (£992.35) to reduce the existing loan. Mr C owed the business some money and they owed him some money. And so it seems fair for the business to have used one to reduce the other - especially in the context of a premium that was directly attached to the outstanding loan.

So even if Mr C had objected to that course of action, on the facts of this case, I wouldn’t have directed the business to pay the redress directly to Mr C.

The position with regard to the goodwill payment arising from the credit card PPI (£61.88) is slightly different because that redress wasn’t directly linked to the personal loan account. And so it may have been arguable that this could’ve been paid directly to him rather than being set off against the debt.

But, in any event, it’s hard to see how Mr C being paid the £61.88 directly would’ve improved his financial situation at the time. If anything, direct payment would’ve increased his overall arrears. Whereas off-setting that sum against the loan would’ve at least saved him some money on his monthly repayments.

So I don’t think in the circumstances that the bank should be required to pay that money to Mr C.

And taking things in the round, I don’t think that it would be fair or proportionate to cure the bank’s mistakes by directing it to now write off the whole debt.

But that’s not to say that the bank’s mistakes didn’t cause Mr C real distress and inconvenience.

On the contrary, I think Mr C would’ve experienced real disappointment and anxiety at finding out that the burden of the debt hadn’t been fully lifted from his shoulders.

This wasn’t a momentary misapprehension for him either. It was something that dragged on for some time given the bank’s failure to spot the mistake early.

And to make matters worse Mr C – acting under the misapprehension that his debt had been cleared– stopped making repayments to the debt recovery agency for a number of months, worsening his financial situation as a result.

So taking those points together – I think that Mr C suffered distress and inconvenience arising from the bank’s mistakes.

fair compensation

Whilst it's technically right that during the period between August 2012 and the eventual discovery of the bank's mistakes more interest would've accrued on his debt than would otherwise have happened if the mistakes hadn't occurred - I think the fairest and most appropriate remedy is for HSBC Bank plc to pay £400 in compensation to Mr C to reflect the distress and inconvenience caused by its mistakes.

This sum is in addition to the £100 that it already paid to Mr C in December 2012.

my provisional decision

For the reasons set out above, I don't currently think that Mr C's mis-sale complaint was adequately resolved.

Whilst I don't direct HSBC Bank plc to write off the existing debt, I do direct it to pay compensation in line with the above instructions.