

complaint

Miss L 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 2004. Miss L says she applied for the PPI at a meeting.

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 Miss L's case.

I've decided to uphold Miss L's complaint. I say this because I haven't seen enough to say that HSBC clearly explained to her that PPI was optional and that she chose to take it.

HSBC doesn't know how Miss L took out the loan. But Miss L says that she applied for it in a branch. HSBC hasn't provided much to show that it would've explained that she had a choice about the PPI. It also hasn't shown how she would've agreed to take it out.

HSBC has sent us an example of the type of agreement it says it would've used. And it says that this shows Miss L would've agreed to take out the PPI. But the agreement doesn't include a separate section where the consumer could've said if they wanted PPI or not. There is a pre-printed statement which says that the consumer had decided to take out the PPI. But I don't know what Miss L was told about PPI (if anything) before she would've signed the agreement. And the statement doesn't stand out from the rest of the agreement.

HSBC says that it wouldn't have included this statement if the consumer didn't agree to it. But I don't think this is enough to show that Miss L was given a clear choice about PPI. So I think Miss L could've easily signed the agreement without realising she was taking out PPI – or thought it was just part of the loan. And Miss L doesn't think that HSBC gave her a choice.

HSBC says that the policy brochure explains the PPI was optional and that Miss L could cancel it. But if Miss L didn't know she was taking out PPI, I think it's possible she wouldn't have read it or thought to query it.

HSBC also says that Miss L would've signed an 'Insurance Sales Acknowledgement Slip' during the meeting. But it hasn't shown that Miss L did sign it. So I don't know whether Miss L would've seen this. In any case I don't think this is enough to show that she was given a choice about PPI.

So looking at everything, I think it's most likely Miss L took out the policy even though she didn't really want it. And I don't think Miss L would've bought the policy if HSBC had made it clear she had a choice about it. So, I think Miss L has lost out because of what HSBC did wrong.

what HSBC should do to put things right

Miss L 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 Miss L needs to get back the extra she's paid.

So, HSBC should:

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

HSBC Bank Plc should pay Miss L compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 16 November 2015.

Guy Mitchell
ombudsman