

## complaint

This complaint is about a payment protection insurance (PPI) policy sold with a credit card in November 2002. It also concerns a series of four PPI policies sold in connection with a succession of personal loans over the following years. The credit card and loans were provided by HSBC Bank Plc, who also sold the PPI policies.

The credit card PPI policy was payable by a regular monthly premium, the cost of which was charged to Mrs M's credit card account. The loan policies were payable via a single premium, the costs of which were borrowed and added on to the relevant loan. My understanding is that the second, third, and fourth loan are higher than they would have been if no loan-based PPI policies were sold because they include amounts that were borrowed to fund the cost of previous PPI policies. Mrs M believes that all five of these policies were mis-sold.

Mrs M complained to HSBC about the sale of the policy. It initially rejected her complaint, but later re-examined its file and made an offer on each of the five sales that Mrs M had complained about. This decision now focuses on whether the offer is fair.

## background

Mrs M's credit card and the final loan account are now in arrears and HSBC has sold these debts to a third party.

I recently issued a provisional decision in this case, in which I set out my opinion about whether HSBC's offers were fair and reasonable. I will not repeat that decision in full here, but, in respect of the redress offered on Mrs M's *credit card* PPI, I found that:

- It included a reconstruction of the credit card account to strip out the effect of all the PPI premiums and associated interest and fees.
- It included an additional amount of 8% simple interest for the periods when the reconstruction showed that the credit card account would have been in credit.
- HSBC agreed to pay these sums directly to Mrs M and not use the redress to reduce the arrears on her credit card. I concluded that this was fair because HSBC has sold this debt on and so Mrs M has no ongoing liability to HSBC for this debt.
- I was satisfied that this was a fair and reasonable offer which was in line with our approach.

In respect of the four single premium PPI policies sold alongside Mrs M's personal loans, I noted that HSBC's offer of redress included:

- A refund of all the PPI-related payments made to date, including loan interest. For the second, third, and fourth loan, the offer reflected the fact that the *principal loan repayments* were higher than they would have been due to PPI sold on, and carried over from, the earlier loans. This was in addition to the repayments that could be attributed to the PPI policy sold to cover its particular associated loan.
- An additional amount of 8% simple interest on each overpayment from the date it was made to the date of settlement. (For the final loan, this was paid only to the date that the account was transferred into its debt recovery department, not to the date of settlement and I will come on to address this).

- A restructure of the outstanding loan balance to ensure that the amount owing (and any future repayments) were stripped of any PPI-attributable sums. (In fact, these sums were stripped out when the debt was transferred to HSBC's debt collection department.)
- A deduction equal to the cancellation refunds made when the first three PPI policies were cancelled following the refinancing of the loans. (I have reviewed the relevant account statements and am satisfied that Mrs M did receive these refunds).

However, I concluded that the offer relating to Mrs M's loan PPI policies should be amended, firstly so that 8% simple interest is calculated to the date of *settlement* and not to the date that the debt was transferred to an internal debt collection department. Mrs M should receive the 8% simple interest *from* the date each PPI-attributable payment was made *to* the date of settlement, which is when the PPI payments are restored to her.

Secondly, HSBC should not deduct any amount to cover outstanding debts on Mrs M's dormant current account. I would only allow HSBC to use PPI redress to offset arrears *on the associated credit facility*. Mrs M's current account is not the account with which PPI was sold and so I would not consider this offset to be appropriate.

I also required HSBC to make a payment of £100 in respect of the avoidable delays caused to Mrs M as a result of HSBC making an offer which was not in line with our approach. And I reminded HSBC of their obligation to ensure that accurate information is submitted to the credit reference agencies.

I made no further award against HSBC and invited both parties to respond to the provisional decision.

### **my findings**

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

In particular, I have considered the submissions made by both parties in response to my provisional decision. I note that HSBC has confirmed that it would comply fully with the findings in my provisional decision. Mrs M, however, rejected the decision saying that she wanted HSBC to repair her credit file. She also asked for a large sum for her distress and inconvenience.

Mrs M has submitted a dossier of around 200 pages of letters and bank statements which she says she wants me to take into account. In fact, I note that this dossier is dated a couple of days before my provisional decision was issued and so it may have crossed in the post with my decision. But we have checked with Mrs M and she says she does want it to be considered in respect of this complaint.

Having done so, I am unable to give it any weight. Mrs M's covering letter refers exclusively to another business and issues surrounding another complaint which was closed some time ago. I do not consider that the information Mrs M has sent has any bearing on this case and it has not formed part of my considerations. We have assured Mrs M that we will review this information in respect of the other complaint and take any appropriate steps.

I have also taken account of what Mrs M has said in recent telephone calls to this service since my provisional decision was issued. Having done so, I can see no reason to depart from the findings in my provisional decision.

### **fair compensation**

HSBC has agreed to the redress amendments as set out in my provisional decision, as follows:

- HSBC's offer, (as described in the email of 17<sup>th</sup> April 2013 and sent to Mrs M in our letter of 25<sup>th</sup> April 2013), in respect of Mrs M's loan PPI policies, will be adjusted to bring it into line with our standard approach. Whilst the offer includes a refund of all the PPI payments made across all of her loans (including that carried from earlier into later loans), all calculations of the 8% simple interest on each of these PPI payments should be reworked so that they are taken *from* the date each payment was made *to* the date of settlement. It is not appropriate for HSBC to calculate this 8% only to the date that the debt was transferred to the internal debt collection agency.
- HSBC may reflect the fact that it has paid Mrs M partial PPI cancellation rebates when the policies were cancelled as part of the loan restructure. But it should not deduct any amount in respect of Mrs M's current account, which is an unrelated arrears balance, entirely separate from the PPI redress.
- It is my understanding that the arrears balance has already been stripped of any outstanding PPI amounts when it was transferred into HSBC's internal debt management department.

In respect of Mrs M's credit card PPI, I conclude that HSBC's current offer is fair and reasonable.

I also require HSBC to pay Mrs M £100 in respect of the avoidable distress and inconvenience she has suffered as a result of HSBC's failure to agree, at an earlier stage, to make an offer which is in line with our standard approach.

It is my understanding that HSBC is required to deduct tax on the redress relating to 8% simple interest. Further details are available on our website. Mrs M should contact HSBC about this in the first instance or either party can contact HMRC.

For the avoidance of doubt, as Mrs M's arrears have been sold to a third party and HSBC no longer owns the debt, it should pay Mrs M her redress directly and not attempt to use it to offset against a debt it no longer owns. HSBC has not disputed this.

### **my final decision**

My final decision is that HSBC Bank Plc mis-sold these five PPI policies to Mrs M and should pay redress in accordance with the formula set out above. It should also ensure that it has submitted accurate information about Mrs M to the credit reference agencies.

John Wightman  
**ombudsman**