

complaint

Mrs C 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. 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 Mrs C's case.

I've decided to uphold Mrs C's complaint because I don't think HSBC made it clear the PPI was optional. There's little to show how HSBC made her aware that she had a choice about the PPI, or how it gained her agreement to it being added to her account.

Mrs C says she doesn't remember how she applied for her loan. HSBC doesn't have any records to confirm this either. But it has said that it was 'normal procedure' for borrowers taking out PPI to sign a loan agreement confirming that they needed the cover, whether the application took place at a branch, over the phone or by post.

HSBC says it would've taken steps to confirm whether Mrs C wanted the PPI before adding it to her account and it's given us a brief description of the processes that would've been used during sales in the branch, over the phone or by post. But it hasn't given us any examples of the documentation it's referred to, or any scripts to show what its advisors would've told Mrs C about the PPI. So I don't know how the policy would've been presented to Mrs C before she was given the loan agreement to sign.

HSBC doesn't have any of Mrs C's original loan documentation, so it's sent us an example of the type of agreement it says she would've completed at the time. There's a pre-printed statement to the effect that the customer had decided to take out PPI. But there isn't a separate section within this document where Mrs C could've said whether she wanted PPI or not – so she wouldn't have been able to opt out of it if she didn't want it. I don't think it would've been clear to her that the PPI wasn't just part of the loan agreement, or that she had a choice about taking it out.

HSBC says Mrs C would've been given a policy document that told her she could cancel the policy if she didn't want it. But this would've been given to Mrs C *after* the policy was taken out. And if she didn't know she had PPI or if she thought it was part of the agreement, there's a good chance she wouldn't have read the policy document or thought to question it. So I don't think this would've been enough to make Mrs C aware that the PPI was optional.

HSBC also says that Mrs C would've signed an 'Insurance Sales Acknowledgement Slip' during the meeting – but again it hasn't been able to provide a copy signed by Mrs C. So I don't know if Mrs C would've seen this. And 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 Mrs C took out the policy even though she didn't really want it. And I don't think Mrs C would've bought the policy if it had been made clear she had a choice about it. So, I think Mrs C has lost out because of what HSBC did wrong.

what HSBC should do to put things right

Mrs C borrowed extra to pay for the PPI, so her loan was bigger than it should've been and she paid more than she should've each month. So Mrs C needs to get back the extra she's paid.

I understand Mrs C's loan and the PPI policy ran for the full term. So, HSBC should:

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

HSBC Bank Plc should pay Mrs C compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 9 November 2015.

Ben Jennings
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