

complaint

Mr and Mrs G complain that HSBC Bank Plc mis-sold them payment protection insurance (PPI) alongside a loan.

background

In 2000 Mr and Mrs G took out a personal loan. At the same time they also took out PPI – a single premium policy – designed to protect their loan repayments in the event Mr G (the policy was in his sole name) couldn't work through accident, sickness or unemployment.

Mr and Mrs G say they were given a leaflet to fill in, but have also said they were given advice by HSBC. HSBC says it doesn't know how the sale came about and therefore whether the sale was advised or non-advised.

The loan was for around £12,000 over a four year term. The PPI cost around £1800 before the addition of interest. And this added around £46 a month to Mr and Mrs G's monthly loan repayment.

The loan account closed in 2003 after Mr and Mrs G repaid it early.

The adjudicator didn't uphold Mr and Mrs G's complaint. He said he thought Mr and Mrs G likely chose to take out the cover and there was nothing to suggest they'd lost out as a result of the things HSBC might have done wrong when it sold the policy to them.

Mr and Mrs G - through their representative - disagree, so the complaint comes to me to decide.

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 approach to handling PPI complaints on our website and I've taken account of what's relevant here in deciding Mr and Mrs G's complaint.

Firstly – HSBC cannot determine whether it advised Mr and Mrs G to take out PPI or how the sale came about. Mr and Mrs G have said HSBC did advise them, so to put them in the most favourable position I have assumed for the purposes of this complaint that HSBC did recommend PPI to Mr and Mrs G and this was a paper-based sale. This means HSBC not only had to give them enough information about PPI so they could make an informed decision about it. HSBC also had to make sure it was right or suitable for Mr G as the policy holder based on his needs and circumstances at the time. I've kept this in mind in my consideration of the complaint.

did HSBC make it clear Mr and Mrs G had a choice about PPI?

Mr and Mrs G say it was recommended they take out PPI but they weren't aware it had been added. They've also said they didn't realise it was optional. HSBC says Mr and Mrs G were given a choice.

Because Mr and Mrs G's loan was taken out and closed quite some time ago, HSBC no longer has the paperwork from the time. And this isn't surprising or unusual. But HSBC has provided us with samples of the type of paperwork it says, and which I accept on balance, Mr and Mrs G would most likely have seen at the time – I've not seen enough evidence in this case to persuade me that something different happened.

While I accept I don't know how the adviser presented PPI to Mr and Mrs G, the example paperwork shows Mr G would have had to sign separately for the PPI – a separate document from the one both Mr and Mrs G signed to accept the terms of the loan. I'm also mindful that the cost of the PPI would have been set out separately from the main loan amount indicating, in my view, that it wasn't an integral part or condition of the loan.

Because of this I think it's likely HSBC presented PPI as an optional and separate product – albeit it insurance it was recommending as being suitable for Mr G – and that Mr G agreed to it on that basis by signing the relevant paperwork.

*did HSBC properly advise and inform Mr and Mrs G?
if it didn't – to what extent have Mr and Mrs G lost out?*

Because HSBC hasn't provided actual copies of the paperwork used in Mr and Mrs G's case, I don't know whether HSBC did all the things it should have done when it sold them PPI. While I think it's likely the cost of the policy was made clear to Mr and Mrs G as I indicated above, there's not enough evidence to show that HSBC properly considered Mr and Mrs G's circumstances including sick pay entitlement and health status in recommending the policy as being suitable for Mr G. I also don't know whether HSBC clearly told them about the significant exclusions and limitations of cover such as those for existing medical conditions.

I accept therefore it's possible HSBC didn't do everything it should have.

But this doesn't mean Mr and Mrs G should automatically get back what they paid for the policy. I need to go on to consider if, and to what extent they've lost out as a result of any failings. And having done so, for the reasons I'll set out below, I don't think Mr and Mrs G have suffered loss – I think the policy was ultimately suitable for Mr G and I don't think they would have been put off taking out PPI if HSBC had done more:

- Mr G was eligible for the cover and all of its benefits.
- Mr and Mrs G chose PPI – albeit cover recommended to them – so they must have been interested in this type of cover.
- Mr G was employed and in good health, so he wouldn't have been affected by any of the significant exclusions of cover, which might have made it unsuitable or put him off taking it out – for example existing medical conditions or unusual employment circumstances.
- Mr G had some sick pay, but the policy would have paid out in addition to this and for longer if necessary. Mr and Mrs G also didn't have any other means – for example readily available savings - to fall back on to make their repayments. I can see Mr and Mrs G said they could get help from parents if things went wrong. But I doubt Mr and Mrs G would have wanted to rely on this help in their circumstances – I also don't think this can reasonably be considered a guaranteed means of payment.

So I think the policy was suitable for Mr G and it would have helped Mr and Mrs G financially if things went wrong and Mr G found himself unable to work through accident, sickness or unemployment - they were after all taking on a not-insignificant monthly financial commitment.

- The policy didn't offer a proportionate refund if it was cancelled early – typically through early repayment of the loan. And I can't be sure whether HSBC considered this when it recommended the cover to Mr and Mrs G or if it told them about it. But given the purpose of the loan, its term and Mr and Mrs G's circumstances at the time, I don't think it was their intention at the start to repay the loan early - or it was reasonable to assume that they'd want or need to. So I don't think this feature of the policy made it unsuitable for them and I don't think they'd have been put off if HSBC had made this limitation clear.
- The cost of the PPI was clearly set out and it appears to have been affordable. So I think from a cost perspective it was suitable.

So overall, while I accept that things might not have happened as they should have, for the reasons I've set out above, I don't think Mr and Mrs G have lost out as a result of taking out PPI with their HSBC loan. It follows that I don't uphold their complaint.

my final decision

For the reasons I've given above, I've decided that Mr and Mrs G have not lost out as a result of taking out PPI with their loan, so I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs G to accept or reject my decision before 10 February 2019.

Paul Featherstone
ombudsman