

complaint

Mr F says HSBC Bank Plc ("HSBC") mis-sold him a payment protection insurance ("PPI") policy.

background

This complaint is about a single premium PPI policy taken out with a loan in 2001. The loan included an amount to pay for the policy. Mr F told us that he applied for the loan and PPI on the phone.

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 Mr F's case.

Our adjudicator upheld the complaint because he didn't think it was clear to Mr F that the PPI was optional. He also upheld the complaint because he didn't think HSBC gave Mr F clear enough information about the cost and benefit of the PPI policy. I've not made a finding on whether or not HSBC gave Mr F clear enough information about the PPI. I've decided to uphold Mr F's complaint because I don't think HSBC made it clear that he had a choice about whether to take PPI or not.

Mr F says he took out the loan over the phone. HSBC hasn't given us anything to show how the PPI would've been presented to him during this conversation. It doesn't have a recording of the call or a script to show what its typical sales process was at the time. So there's little to show how HSBC made Mr F aware that he had a choice about the PPI, or how it gained his agreement to it being added to his account. And Mr F said that PPI wasn't mentioned to him.

HSBC doesn't have any of Mr F's original loan documentation, so it's sent us an example of the type of agreement it says he 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 Mr F could've said whether he wanted PPI or not – so he wouldn't have been able to opt out of it if he didn't want it. I don't think it would've been clear to him that the PPI wasn't just part of the loan agreement, or that he had a choice about taking it out.

HSBC says that Mr F would've been given a policy brochure which told him he could cancel the policy if he didn't want it. But if Mr F didn't know he had PPI or if he thought it was part of the agreement, there's a good chance he wouldn't have read the document or thought to question it. So I don't think this would've been enough to make Mr F aware that the PPI was optional.

Looking at everything, I think it's most likely Mr F took out the PPI even though he didn't really want it. And I don't think he would've done so if it had been made clear he had a choice about it. So, I think Mr F has lost out because of what HSBC did wrong.

what HSBC should do to put things right

Mr F borrowed extra to pay for the PPI, so his loan was bigger than it should've been. He paid more than he should've each month and it cost him more to repay the loan than it would've. So Mr F needs to get back the extra he's paid. So, HSBC should:

- Work out and pay Mr F the difference between what he paid each month on the loan and what he would've paid without PPI.
- Work out and pay Mr F the difference between what it cost to pay off the loan and what it would have cost to pay off the loan without PPI.
- Add simple interest to the extra amount Mr F paid from when he paid it until he gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on[†].
- If Mr F made a successful claim under the PPI policy, HSBC can take off what he got for the claim from the amount it owes him.

[†] HM Revenue & Customs requires HSBC to take off tax from this interest. HSBC must give Mr F a certificate showing how much tax it's taken off if he asks for one.

HSBC will need to work out who should be paid any compensation in this case, as Mr F has an Individual Voluntary Arrangement (IVA) at the moment. So some or all of any compensation might need to be paid to the Insolvency Practitioner (IP) looking after his IVA. Where I refer to 'Mr F', HSBC should take that to mean him or his IP, depending on what the arrangements are.

my final decision

For the reasons I've explained, I uphold Mr F's complaint.

HSBC Bank Plc should pay Mr F compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 12 November 2015.

Claire Marsh
ombudsman