

## **complaint**

This complaint concerns a monthly premium payment protection insurance ("PPI") policy, sold in conjunction with a credit card in 2000. Miss V says that HSBC Bank Plc ("HSBC") mis-sold the policy.

## **my findings**

I have considered all of the available evidence and arguments in order to decide what is fair and reasonable in the circumstances. I have also taken into account the law and good industry practice at the time the policy was sold.

The questions I need to consider in a case like this are:

- whether HSBC gave Miss V information that was clear, fair and not misleading, in order to put her in a position where she could make an informed choice about the insurance she was buying;
- whether, in giving any advice or recommendation, HSBC took adequate steps to ensure that the product it recommended was suitable for her needs.

If there were shortcomings in the way in which HSBC sold the policy, I will consider whether Miss V is worse off as a result; that is, would she have done something different – ie not taken out the policy – if there had been no shortcomings.

In this case, HSBC is unable to say whether it provided a recommendation to purchase the policy, but Miss V noted within our payment protection questionnaire that it did not. However, I do not consider this has a bearing on the outcome of the complaint, as I am not convinced that Miss V was eligible for the cover at the point of sale.

In order to be eligible for the cover at the point of sale, Miss V would need to meet the following conditions:

- *You must be 18 or over and under 65.*
- *You must be in employment for at least 16 hours a week to be eligible for unemployment and disability cover.*

At the point of sale in July 2000, Miss V says that she was working part time, as she had recently finished school and was due to start university in September. Although HSBC is unable to trace the documentation from the point of sale, it does not consider that Miss V was working less than 16 hours per week.

Miss V has provided evidence from her sixth form college showing that she finished her studies on 30 June 2000 and information from her university confirming her date of registration as 18 September 2000. HSBC however does not consider this shows that she was not working more than 16 hours at the point of sale. Despite attempts to obtain evidence from her employer at the time, Miss V has been unable to provide this.

While I accept it is possible that Miss V was working more than 16 hours at the point of sale then returned to full time studies, I find it more likely that she was not. I say this because I consider her testimony to be plausible and persuasive. She has been consistent in her submissions on this point, and I consider it more likely she was only part time.

But, even if I consider she was full time, it is likely her ability to claim would have been impacted as soon as she became a full time student in September, as the policy would only pay unemployment benefit to those working more than 16 hours a week. Therefore, the usefulness of the cover for her would have been reduced – something that, in my view, is not set out in a clear way in the literature she would likely have received at the point of sale.

So, overall, I find it likely that Miss V was not working more than 16 hours per week at the point of sale and therefore she was not eligible for the cover. Consequently, I find that there was a shortcoming in the way HSBC sold this policy, and Miss V suffered detriment as a result of this shortcoming.

It follows that I uphold this complaint and I make an award against HSBC.

### **fair compensation**

From the evidence I have seen in this case, it seems to me most likely that, if Miss V had not purchased the PPI, she would still have proceeded with the credit card.

I understand that the PPI and card are still active. To that end, the PPI policy should be cancelled – if it has not been cancelled already – and I require HSBC to:

- A. Carry out a hypothetical reconstruction of the credit card account to find out what the current balance of the credit card account would have been if Miss V had paid the same monthly payments, but the PPI policy had *not* been added to it.

This will involve HSBC removing the PPI premiums, any interest that was charged on the premiums and any charges (and interest on those charges) that would not have applied if the PPI had not been added to the account.

HSBC should then pay Miss V the difference between the current balance and what the current balance would have been without PPI.

- B. Pay Miss V interest at 8% per year simple\* on any credit balance for any periods when the reconstructed account would have been in credit, for the period it would have been in credit.

C. Set out in writing to Miss V how it has calculated the compensation in A and B.

\* – This part of the compensation is subject to income tax. The treatment of this part of the compensation in Miss V's hands will depend on whether HSBC has deducted basic rate tax from the compensation, and Miss V's financial circumstances. More information about the tax position can be found on our website. HSBC and Miss V should contact HM Revenue and Customs if they want to know more about the tax treatment of this portion of the compensation

**my final decision**

For the reasons set out above, I determine this complaint in favour of Miss V. I require HSBC Bank Plc to pay Miss V fair compensation in accordance with the calculation of redress I have set out above.

I make no further award against HSBC Bank Plc.

Alexander MacDonald  
**ombudsman**