

complaint

Mr S complains that HFC bank Limited (HFC) mis-sold him a Payment Protection Insurance (PPI) policy. He says HFC pressured him to take out the policy.

background

In 1997, Mr S took out a loan with HFC. At the same time, HFC sold him a PPI policy. Mr S borrowed extra to pay for the policy, which he had to pay back with interest over the term of the loan.

Our adjudicator didn't uphold Mr S's complaint. He found that there wasn't enough information available to be able to say that HFC didn't make it clear to Mr S that he had a choice about taking out the policy. And there wasn't enough information to say that the policy was unsuitable for Mr S, based on what he had told us about his circumstances. Mr S disagreed. He says HFC pressured him to take out the policy.

my findings

I have considered all the available evidence and arguments to decide what is 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 S's case.

I've decided not to uphold Mr S's complaint.

This is a difficult case to decide given the lack of evidence available. Mr S hasn't been able to tell us much about the sale or the loan he took out. HFC provided a screenshot of its computer records showing that it no longer holds any information about this sale. So HFC couldn't confirm the amount or term of the loan, or the amount of the PPI premium. It could only say that this would've been an advised sale, and that the policy would've been a single premium policy.

Mr S says that HFC pressured him to take out the policy. And that HFC inferred his loan was more likely to be approved if he took out insurance.

I've considered the possibility that HFC led Mr S to believe that he had to take out the PPI, as he has said. But he hasn't provided a very detailed account of what HFC said or did to make him feel this way. His recollection of the sale generally is quite poor, and although this isn't surprising given that the sale took place so long ago, and memories fade with time, it does make me reluctant to place too much weight on his recollection alone.

Because the sale took place so long ago, HFC haven't been able to give me copies of Mr S's actual paperwork. But it has given me an example of the type of loan agreement it says Mr S would've seen in 1997.

Given the sale took place nearly 18 years ago, I don't think it's unreasonable that HFC no longer have a copy of Mr S's original paperwork. And I think the example document HFC has given us is likely to give a fair picture of what Mr S would've seen before he signed for his loan and HFC's sales process at the time. So I've referred to this to help me reach my decision.

Having looked at the sample loan agreement I can see that the PPI is described as “*Optional Repayment Protection Insurance*” and that the costs would’ve been set out separately to the cost of the loan. So from looking at the loan agreement I think it’s likely that Mr S would’ve known he didn’t have to take out the PPI in order for him to have his loan approved.

I’ve also taken into account what the ombudsman service has learned about HFC’s overall sales processes from other complaints made about its sales around this time. But I’ve not seen general problems with HFC’s sales in relation to policies being presented as compulsory. I’ve also kept in mind that HFC says it advised Mr S to take out the cover. So it’s quite possible that HFC told Mr S that it was a good idea for him to have the policy, rather than that he must have the policy. This is a subtle difference, which it’s possible Mr S has misremembered after all this time.

Overall, based on the evidence I’ve seen, I don’t think I can say that it is most likely that Mr S was told he *had* to take out the policy, which is what I must be able to do before I can uphold his complaint on this point. I simply don’t have enough evidence that this is what happened.

I have also looked at whether the policy was right for Mr S based on what he’s told us about his circumstances and needs at the time. And whether HFC gave Mr S, enough clear information so that he could make an informed decision about whether he wanted to buy the insurance. Because I don’t know what happened at the sale, I can’t reach any sensible conclusions about whether HFC gave Mr S proper information or whether it took proper care before recommending the PPI to him. And I have no details of the policy terms and conditions, so I can’t check whether it was right for him.

Mr S told us that he’d been employed by the same company for many years, would have been entitled to sick pay and had no health problems. So I don’t see anything in his circumstances to suggest that it wouldn’t have been right for HFC to recommend he protect his loan repayments with a PPI policy.

The benefit might’ve been useful to him if he had had to stop work due to an accident, sickness or if he lost his job. Typically, these policies have limitations and exclusions, which can make them unsuitable for some people, especially those who are not in regular, PAYE employment or who have pre-existing medical conditions. But I can’t see that Mr S would’ve been caught by limitations or exclusions of this kind. So I don’t have any indication that he wouldn’t have been able to claim on the policy if he had needed to.

Additionally, as I have no information on the amount Mr S was borrowing, or the cost of the loan or the PPI, I can’t fairly say that the policy was unaffordable for him at the time of the sale.

I’ve also looked at whether the cancellation terms made the policy unsuitable for Mr S. Based on our knowledge of similar policies sold by HFC at the time, it seems likely that Mr S wouldn’t have been entitled to a proportionate refund if he cancelled the policy early. This means it would’ve made it more expensive for Mr S to refinance or repay the loan if he had to cancel the policy to do so. But as neither Mr S nor HFC has been able to tell us much about the sale – in particular how much Mr S borrowed and over what term, it’s difficult for me to be able to say he would’ve needed the flexibility to pay off his loan early.

In summary, in order to uphold a complaint I must be persuaded that it is *likely* (rather than just possible) that the business did something wrong. I've carefully considered what Mr S has told us, but given that so little is known about what happened, that it all took place so long ago, and because Mr S's circumstances don't strike me as unsuited to this type of insurance, I don't have strong enough reasons to be able to say that HFC did something wrong.

my final decision

For the reasons I've explained, I've decided not to uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr S to accept or reject my decision before 5 November 2015.

Sharon Kerrison
ombudsman