

complaint

Mr W says that HSBC Bank Plc (HSBC) hasn't treated him fairly about a loan and PPI that was sold him.

background

Mr W says that when he took out the loan he was told that any PPI claim would pay for the term of the loan. He says he was 60 years old at the time and says it was irresponsible lending. He then made a successful claim but there is still an outstanding debt which he thinks is unfair.

Mr W complained and HSBC said it had paid him more in his claim than the cost of the PPI to him. It said the debt continued to be outstanding. Mr W wasn't happy so brought his complaint here. The adjudicator thought that HSBC hadn't done anything fundamentally wrong but did set out his views on the payment made by HSBC against the debt Mr W has with its debt recovery services. Mr W does not agree so the complaint has been passed to me.

my findings

I have considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In 2005 Mr W took PPI alongside a £25,000 loan repayable over eight years. He was 60 years old at the time. Not long afterward Mr W falls ill and makes a claim on the PPI as he cannot work. His claim is successful and the PPI pays his monthly loan repayment for some years. On turning 65 Mr W is told that the PPI will no longer pay his claim and he needs to pay the monthly loan repayment. Mr W has been in dispute since and there remains a significant outstanding balance.

Mr W says he was told the PPI would cover the whole of the loan. However his description of the meeting in 2005 isn't very detailed-which is understandable. HSBC has pointed to the documents it says would have been given to Mr W which state that successful claims would cease once the claimant reached 65 years old.

I'm not persuaded that the terms of the PPI weren't properly explained to Mr W. Even if it wasn't properly explained I'm still not persuaded he wouldn't have taken the PPI. Mr W was refinancing substantial debts and was self-employed at the time so I think he would have wanted some protection for his payments. I think it more likely than not that HSBC would have provided the PPI documents to Mr W when he decided to take the loan.

It is important to remember this loan consolidated other debts Mr W already held with HSBC. It was not substantially increasing Mr W's overall level of debt. Mr W has said that he understood the repayment term when he took the PPI and from the loan agreement it seems to have been clearly set out. It seems clear that Mr W had a history of taking loans and having debt and I'm not persuaded he didn't understand the term of the loan at the time.

Furthermore it's clear that when Mr W took the loan he already had a substantial amount of debt and needed to be able to make affordable repayments to pay it off. It seems likely to me that Mr W couldn't have afforded to pay substantially more each month in order to shorten the loan period. So it seems likely whatever course of action was taken Mr W was going to

be paying off the loan beyond normal retirement age. As a consequence I'm not persuaded that HSBC did anything fundamentally wrong in selling Mr W this loan.

I appreciate Mr W's comments regarding his difficulties in making repayments and the 'unfairness' of HSBC pursuing him for the outstanding debt. However it's clear that Mr W received the money lent and has had the benefit of it. So it's not unfair of HSBC to pursue him for the money. I also see that since 2010 the debt has been with HSBC's debt recovery service and as such charges and interest has been suspended-meaning that any repayments made reduce the debt rather than going toward interest or charges. HSBC says it is happy to discuss with Mr W how they resolve the situation. I think it would be in all parties' interests for such discussions to happen.

It's clear that Mr W has already had a significant payment made to him by HSBC for other PPI policies he had with it. Mr W accepted this payment in July 2011. In December 2012 HSBC decided that a further payment of £1220.97 should be paid and deducted it from the outstanding debt Mr W has with it. After discussion with this service HSBC is willing to pay that money directly to Mr W plus 8% interest since December 2012. If Mr W chooses to accept this offer it would be in full and final settlement of this complaint. It would also mean that Mr W's outstanding debt would increase from its current level by the same amount. As a consequence Mr W should decide what he wants to do and tell this service of his decision.

In summary I think HSBC didn't do anything fundamentally wrong about the PPI claim period or in selling the loan. I do think that when it set off a PPI payment against Mr W's debt it didn't follow our guidance on the matter. So Mr W has to decide whether he wishes to take the money in hand and have his debt increase from its current level or to leave his debt as it stands and not have the cash in hand.

I think this is fair and reasonable outcome so I award the suggested settlement and ask Mr W to inform this service of his decision. If Mr W doesn't respond in the time frame set out the amount will remain set off against the debt as is the current position.

My final decision

For the reasons I have explained my final decision is that I award the suggested settlement against HSBC Bank Plc.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr W to let me know whether he accepts or rejects my decision before 14 September 2015.

Rod Glyn-Thomas
ombudsman