

complaint

Mr H says HSBC Bank Plc 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 2000. Mr H says he applied for the loan and PPI in a meeting.

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 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 H's case.

HSBC has been unable to provide any documents from the point of sale, tell us how it was sold or whether it was an advised sale or not. It has pointed to some sample documents and what it says should have happened in sales based on its procedures at the time. On the other side I've seen what Mr H says did happen in his meeting with HSBC.

I've decided to uphold Mr H's complaint because I think HSBC recommended the policy to him but I don't think it was suitable. I'm also not persuaded HSBC gave Mr H sufficient information to make an informed decision. I say this because it appears from the policy document that the PPI would only pay a maximum of 12 months unemployment benefit.

I think this would've mattered to Mr H because even if he received the maximum benefit for an unemployment claim, the value of that benefit would've been similar to the total cost of the PPI policy. The policy provided accident and sickness cover for the life of the loan. But I think that if Mr H had realised the policy only provided unemployment cover for up to 12 months in total, he wouldn't have thought it was good value for money. As Mr H would have seen that the benefit of such a claim would be only marginally more than its cost.

I haven't seen any evidence to suggest that HSBC took this into account when it recommended the policy to Mr H. So I think Mr H has lost out because of what HSBC did wrong. I also think if HSBC had described this clearly to Mr H, bearing in mind the cost and potential benefits, he wouldn't have taken it.

I've taken into account HSBC's comments about Mr H's circumstances. But I think this aspect of cost information if described would have put him off taking the policy. So I am upholding the complaint.

putting things right

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

So, HSBC should:

- Work out and pay Mr H the difference between what he paid each month on the loan and what he would have paid without PPI.
- Work out and pay Mr H 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. H 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 H 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. H a certificate showing how much tax it's taken off, if he asks for one.

my final decision

For the reasons I've explained, I uphold Mr H's complaint and HSBC Bank Plc should pay Mr H compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr H to accept or reject my decision before 6 November 2015.

Rod Glyn-Thomas
ombudsman