DRN-3407483

The complaint

Mr C has complained that HFC Bank Limited mis-sold him PPI on a number of loan and credit card accounts.

What happened

HFC was unable to find any record of financial products sold to Mr C, or associated PPI, when it carried out various searches.

Mr C provided evidence of having some loans, although HFC said this did not show that Mr C had been sold PPI to cover those loans. Mr C was then able to provide a statement dated 1 August 1997 for a revolving credit account ending 7043 which did show a charge being made for insurance. Based on that information, HFC upheld Mr C's complaint in May 2020 and made him an offer of £3,542.36 for PPI premiums on that account for the period 1 September 1993 – 1 November 1997, with associated interest.

Mr C is dissatisfied with HFC's offer on two counts. Firstly, that it has not offered to refund all PPI attached to all loans and secondly, that the offer made on account 7043 does not cover the entire period that he held PPI on that account.

I wrote a provisional decision earlier in March 2022 in which I explained why I was minded to partly uphold Mr C's complaint. I invited both parties to provide any further submissions they may wish to make before I reached a final decision. HFC has not provided anything further within the time allowed. I had a lengthy phone call with Mr C in which he made some comments about my provisional decision that I will address below.

What I've decided – and why

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

Where the evidence is incomplete or inconclusive, as it is here, I make my decision based on the evidence that we do have, plus what I consider is most likely to have happened.

HFC hasn't been able to find any records of accounts held by Mr C. Mr C is unhappy about that, particularly as HFC did find a record of his wife's credit card account and because HFC has previously made an offer relating to another type of insurance (that Mr C refers to as 'handbag insurance'), so he must have had a credit card account to have that insurance on.

In conversation about my provisional decision, Mr C expressed his continued dissatisfied that HFC said it had no information about him. However, businesses are not expected to keep records indefinitely, especially when the accounts themselves have been closed for a long time. Although Mr C doesn't agree, I don't find anything unusual or untoward in HFC's lack of historic records.

Mr C has provided evidence of having some borrowing with HFC in the form of statements showing repayments. He has also provided copies of a personal log he kept of his financial outgoings at the time which, although incomplete, provides some insight into his borrowing from HFC.

Mr C has also provided his recollection of his borrowing and how this would have tied into certain personal events. Without going into too much detail, his relationship with HFC would have started around the time of his daughter's birth in December 1986, and indeed Mr C has a record of a loan beginning in November 1986. Mr C also has bank statements showing a standing order for another loan from September 1992. There is a credit report showing that the revolving credit account 7043 started in August 1993 and, as already mentioned, a statement for that account from August 1997 showing a payment for PPI.

With regard to the early borrowing around the time of their daughter's birth, Mr C says he and his wife took out double PPI because they cared about what they were doing as new parents and were treating the situation very seriously. Mr C has also said that, because of his autism, he would have taken out PPI whenever he was advised to.

In response to my provisional decision Mr C said that the PPI didn't appear just like that in 1993. We discussed how his personal log shows themes and patterns and that there was, as he calls it, an ongoing monitoring of threads from 1986. Furthermore, he has said that there were specific channelled loans which seems to indicate that PPI would fit.

Mr C also provided more insight into his experience of having autism, coupled with what was happening in his family life at the time, to further explain why he believes he would have taken out PPI with all other borrowing.

Mr C had provided one piece of evidence that he felt proved that he had PPI on at least one other loan. This is a bank statement from January 1991 showing two standing orders going out to HFC on the same day – one for £37 and one for £7. In his personal log, Mr C has noted regular payments of £44 (being a sum of the two figures). Mr C believes the £7 to be a PPI premium covering the £37 repayment amount. I explained to Mr C over the phone why I was not persuaded that the £7 related to a PPI policy. Mr C ideally wanted me to be able to tell him what the £7 was for, if not PPI. I'm afraid I do not know what that payment relates to. But for the purposes of this decision I am only deciding whether or not I am able to conclude that it was for PPI, and I have been unable to conclude that based on the available evidence.

I've thought more about what Mr C has said and I have reviewed the evidence again. However, whilst I am satisfied that Mr C had a number of financial products with HFC from at least 1986, I haven't seen sufficient evidence that would lead me to conclude that he had PPI on any other products apart from on account 7043.

HFC has upheld Mr C's complaint about mis-selling of the PPI on that account. The question is whether the offer it has made is reasonable.

HFC has offered a refund of premiums from 1 September 1993 – 1 November 1997. There is evidence from the credit report provided by Mr C that the account began in August 1993, therefore it makes sense that the first PPI premium was paid the following month. However, it is unclear as to how HFC has settled on an end date of 1 November 1997, particularly as it had previously said that it could find no information at all about any products that Mr C had held.

Mr C has provided three pieces of evidence that show account 7043 continuing beyond 1 November 1997. There is a bank statement showing a direct debit for HFC leaving his current account on 14 November 1997. There is the credit report dated 24 May 1998 showing the revolving credit account as still active at that time and there is an inactive records summary from 2002 showing the direct debit for the account as still active in 1999.

HFC says that account 7043 still being active is not proof that the PPI continued beyond November 1997, which I accept. But I haven't seen any evidence that Mr C cancelled the PPI early and HFC has not explained its rationale for making an offer of premiums only until 1 November 1997, despite previous requests to do so.

Mr C has provided a cheque stub dated 30 August 2000, made out to HFC for £5,410.89. It's difficult to read but it seems to say something like 'Close acc'.

We know from the credit report dated 24 May 1998 that the outstanding balance on the loan was £3,549 at that time. The inactive records summary shows that Mr C was paying £138.56 to HFC by direct debit at some point during 1999. This is consistent with an outstanding balance of around £4,100 (because we know from the account statement dated August 1997 that an outstanding balance of £4,430.31 resulted in a direct debit amount of £146.87). The balance on the account could go up as well as down so it's not unreasonable that the balance should have been £5,410.89 in August 2000. Based on the available evidence, Mr C didn't have any other substantial borrowing with HFC at that time. So, overall, I consider it more likely than not that the cheque payment was made to pay off the outstanding balance and close account 7043. I also consider it more likely than not that the PPI continued on the account until it was closed. Therefore, my view is that HFC should recalculate its offer to include a refund of premiums from September 1993 to August 2000.

Putting things right

HFC should put Mr C in the financial position he'd be in now if he hadn't taken out PPI. Because there is very little data available, HFC will need to make some reasonable assumptions when doing its calculations. But in principle HFC should:

- Find out how much Mr C would have owed when he closed his account on 30 August 2000 if the policy hadn't been added to it.
- So it should remove the PPI premiums added, as well as any interest charged on those premiums. It should also remove any charges that were caused by the mis-sale of PPI – as well as any interest on those charges.
- HFC should then refund the difference between what Mr C owed when he closed his account and what he would have owed if the policy hadn't been added to it.
- HFC should add simple interest on the difference between what Mr C would have owed when he closed his account from when he closed it until he gets a refund. The interest rate should be 8% a year.†
- HFC should tell Mr C what it's done to work out the above calculations.

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

My final decision

My final decision is that I partly uphold Mr C's complaint. I have been unable to conclude that Mr C had PPI on any other financial products and therefore I do not require HFC Bank Limited to pay redress in respect of those. However, the redress offered for the PPI on account ending 7043 fails to cover the entire period that the account and PPI ran for. Therefore, I require HFC Bank Limited to pay fair compensation as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 April 2022.

Carole Clark
Ombudsman