

complaint

This complaint is about a single premium payment protection insurance (PPI) policy sold by HSBC Bank plc (HSBC), trading at the time as Midland Bank.

background

Mr O took out the PPI in 1999 together with a personal loan. He says that he was mis-sold this policy.

Our adjudicator said this complaint should be upheld but HSBC didn't agree. So the complaint has been referred to me for an ombudsman's decision.

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 O's complaint.

Having done this, I've decided to uphold Mr O's complaint.

These events took place some time ago and there's very little documentation to refer to, but given the passage of time, this isn't surprising. It's not clear whether HSBC recommended the policy to Mr O but I don't think this matters in this particular case. HSBC needed to make it clear to Mr O that the policy was optional and he told us that it hadn't done so in this case.

HSBC was unable to say how or where this policy was sold but Mr O says it took place at a meeting in one of its branches. HSBC doesn't have copies of any of the sale documents but it sent us a sample of what it says was the standard *credit agreement* used at the time and which Mr O would have signed.

So I looked at this sample and I can see a section which says "*I/We have decided to take Personal Loan Protection.*" HSBC said this declaration was only ever included when consumers specifically said they'd like to buy a PPI policy.

Mr O disputes he ever wanted PPI, but even if what HSBC says is true, I don't think the sample we've been sent is clear enough that Mr O had a choice to either accept or decline the PPI policy. I say this because there's no obvious place to sign next to this declaration or to sign separately for the loan and the PPI. And there's nowhere for him to decline or show he didn't want to go ahead and buy the policy.

I think it's more likely than not that if Mr O had read the whole *credit agreement* he'd just have thought it was saying he had to take PPI. And because the PPI was sold in a meeting, I don't think Mr O would've read any PPI policy documents HSBC say he'd have been given before taking the loan and PPI.

So HSBC hasn't been able to provide any information to show it made it clear to Mr O that the PPI was optional. And I don't think the credit agreement itself made it clear. For these reasons I uphold Mr O's complaint.

what HSBC should do to put things right

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

- Work out and pay Mr O the difference between what he paid each month on the loan and what he would have paid without PPI.
- Work out and pay Mr O 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 (at 8% a year) to the extra amount Mr O paid from when he paid it until he gets it back †.
- If Mr O 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 O a certificate showing how much tax it's taken off if he asks for one.

my final decision

For the reasons I've explained above, I uphold Mr O's complaint. I direct HSBC Bank plc to pay Mr O compensation in line with the instructions set out above.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr O to accept or reject my decision before 10 July 2015.

Michael Campbell
ombudsman