

complaint

This complaint concerns the selling of a single premium payment protection insurance policy by HFC Bank Ltd. Mr B purchased the policy in 2007 alongside a loan. The purpose of the loan was to buy a motorcycle and to consolidate existing debt.

background

The adjudicator in this case concluded that the complaint should not be upheld because he was not persuaded that the policy was not suitable for Mr B, or that HFC failed to provide Mr B with information that was clear, fair and not misleading.

my findings

I have considered all the available evidence in this case in order to reach a fair and reasonable conclusion. I have also taken into account the relevant regulatory rules, the law and good industry practice at the time the policy was sold. Having reviewed all the evidence in this case, I have decided not to uphold this complaint, for the reasons set out below.

Firstly, I have to decide whether advice was given to Mr B by HFC. If it was, HFC had a duty to ensure the policy was suitable for him. Regardless of whether advice was given, HFC nonetheless had a duty to ensure that sufficient information was provided to Mr B so that he could make a properly informed choice about the policy he was buying.

In this case HFC have said that they did give advice to Mr B, which means that not only did they have to provide him with sufficient information, but also that they had a duty to ensure the policy was suitable for Mr B. At the time of the sale Mr B was single with one dependent. Mr B did not have any other policies in place that could have paid his loan repayments in the event of him losing his income. He was, however, entitled to employee's sickness benefit for four weeks, following which he might have received a further five months pay at the discretion of his employer, followed by half pay. The presence of existing benefits does not necessarily mean that the policy was mis-sold. Should Mr B have fallen sick for a prolonged period, the policy might have given him peace of mind by covering his payments, thus leaving any other benefit he was entitled to for use on general living expenses.

The loan was purchased during a meeting to purchase a motorcycle and consolidate credit card debt. HFC granted the loan over a 60 month term. At the same time, they also sold Mr B the policy, which covered him for the same term if he became unemployed or if he was unable to work as a result of accident or sickness. The policy also included life cover. The premium for this policy, £2,252.33, was to be paid as a single amount added to the original loan. Interest was payable on the premium over the same term as the loan. The overall cost of the policy in the event that the loan and policy ran their full term was £3,958.20 as detailed in the credit agreement.

Mr B complains that he was not asked about his health, however, I have noted that he was in good health at the time of the sale. This means that he would not have been caught by the policy's major limitations regarding pre-existing medical conditions. Therefore he could utilise the policy to its full capacity. In summary, the policy provided cover for Mr B that he otherwise did not have and from which he stood to gain in the event of a successful claim. For all the reasons outlined above, I am not persuaded that the policy was unsuitable for Mr B.

As the sale took place during a meeting, I am unable to determine precisely what was said to Mr B. However, I find it likely that Mr B knew that the policy was optional. I say this because in the *'Key Financial Information'* section of the *'Fixed Sum Loan Agreement'*, the policy is referred to as *'optional payment protection insurance (PPI)'*. The Consumer *'Fixed Sum Loan Agreement'* also contains the following statement *'I wish to purchase Optional Payment Protection Insurance'* which is followed by a tick box. The box has been ticked and Mr B has signed beneath to confirm his wish to purchase the policy.

I also have to determine whether HFC provided information to Mr B that was sufficiently clear. I cannot determine exactly what was said during the sale meeting. Neither can I determine whether or not HFC provided Mr B with a copy of the policy terms and conditions.

However, I am satisfied that Mr B was most likely aware of the costs of the policy, because in the credit agreement that Mr B signed, the amount of the single premium of £2,252.33 is stated, alongside, the interest of £1,705.87, the total cost of £3,958.20, as well as the monthly cost of £65.97.

I have considered the fact that Mr B would not have received a pro-rata refund in the event of early settlement of the loan. In order for Mr B's complaint to succeed, I would need to be satisfied that it was likely that he needed flexibility in the loan, and that he might have wanted to settle it early. Again, I cannot say for certain what was said to Mr B. Based on the testimony of Mr B, I am not persuaded that he would have acted any differently by not purchasing the policy, even if this information was made any clearer to him. I say this because Mr B had no history of early settlement on loans. He also told this service that he initially wanted the loan just for the purchase of the motorcycle, but was also persuaded into consolidating his debt. This means that he did not engage with the lender initially with the primary purpose of wanting to pay off debt, which further lends me to think that flexibility of the loan was not his most important consideration. Whilst not germane to my decision, I also note that Mr B kept the loan to full term and did not in fact need flexibility.

It follows that I do not uphold this complaint and make no award against HFC. I know that this will come as a disappointment to Mr B and will not be the outcome he was hoping for, but I am bound to consider this case using our standard approach, as set out on our website.

my final decision

I do not uphold this complaint and make no award against HFC.

Francesca Del Mese
Ombudsman