

## **The complaint**

Mr V complains that HSBC UK Bank Plc did not fairly compensate him after it mis-sold payment protection insurance ('PPI').

## **What happened**

PPI was sold to Mr V in 1997 to protect his mortgage repayments. In 1998, Mr V tried to make a claim on the PPI policy, but the claim was refused. Mr V told us that as a direct consequence of that refusal, he ran into difficulties paying his mortgage. Following discussions with the lender, Mr V had to sell his home.

Mr V says he complained about the sale of PPI back in 2014, but HSBC told him it could not find a PPI policy. It then wrote to him some time later and said a policy had been found and the complaint was upheld. HSBC offered to pay £2,037.28 to compensate Mr V for that mis-sale.

Mr V did not accept HSBC's offer of compensation and he complained to this service. By way of summary, he said:

- HSBC had not compensated him for its delays, poor service, errors and the resulting distress he experienced;
- his complaint was not necessarily that the sale of PPI went wrong, but the PPI policy did not protect him when he needed it;
- the mis-sold PPI directly led to the distressing and unwanted sale of his house and HSBC had not addressed this in its final response letter.

Our investigator considered the complaint and he thought HSBC's offer was fair. Mr V did not agree with that view and so the matter has been passed to me for an ombudsman's decision.

## **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.

I know Mr V will be disappointed with my decision, but I'm satisfied HSBC's offer is fair. I'll explain why.

First of all, I want to be clear that I haven't considered whether the decision to decline Mr V's PPI claim back in 1998 was fair. I understand the underwriter for the PPI policy was a third-party business and not HSBC.

The parties agree that PPI was mis-sold by HSBC, so the question for me is whether Mr V has been fairly compensated for that mis-sale.

In order to fairly compensate Mr V, I'd expect HSBC to return him to the position he would have been in if PPI had never been sold in the first place. To do that, HSBC would need to pay back each premium to Mr V and add 8% simple interest per year from the date Mr V paid each premium to the date he gets that money back.

In this case, I can see HSBC offered to pay Mr V £2,037.28 to compensate him for mis-selling PPI. It calculated he had paid £787.04 in total for the PPI policy. It then calculated 8% simple interest to be £1,562.81 and deducted £312.57 from that simple interest in tax.

I'm satisfied that this offer is in line with how I would expect HSBC to calculate compensation for mis-sold PPI. However, I understand that as Mr V did not accept this offer, it has not yet been paid to him. In that case, HSBC will need to calculate 8% simple interest to be paid up until the date Mr V gets that money back.

I can see the main thrust of Mr V's complaint is that he thinks HSBC should compensate him because he had to sell his house. His argument appears to be that if HSBC mis-sold the PPI policy, it should have made sure the policy paid out when he tried to make a claim.

I know Mr V feels strongly about this. But as I said above, what I'd expect a financial business to do when PPI has been mis-sold is to return that person to the position they'd be in if they'd never taken PPI out in the first place. What that means in this case is that PPI should never have been sold to Mr V. So he should never have paid any premiums for the PPI policy. And it's that money that needs to be returned to him – along with 8% simple interest per year to compensate him for the time he was without the money he'd used to pay his premiums.

I'm sorry to say that I can't tell HSBC to compensate Mr V for the consequences up to and arising from the sale of his property – that's because it wouldn't be returning him to the position he'd be in if PPI had never been sold. It would be putting him in a completely different position.

I am sorry to learn that HSBC's delays in answering the complaint caused Mr V distress. I note that he said the distress caused by the way HSBC handled the complaint was insignificant compared to the stress he suffered when he had to sell his home. For the reasons set out above, I can't tell HSBC to compensate Mr V for the stress of selling his home.

I explained above that 8% simple interest needed to be paid up until the date Mr V gets his money back. I agree with our investigator that this is fair compensation for the delays Mr V experienced.

With all this in mind, I'm satisfied HSBC's offer is fair. But it must recalculate and pay 8% simple interest to Mr V up to the date he gets that money back.

### **Putting things right**

HSBC's offer is fair. But I understand compensation has not yet been paid to Mr V. With that in mind, HSBC must undertake the following steps to put things right for Mr V.

- calculate and pay to Mr V the amount he paid each month for the PPI policy;
- add simple interest\* to each payment from when he paid it until he gets it back. The rate of interest is 8% a year;
- HSBC can deduct the value of any successful claim or refund of commission or profit share already paid under this policy from the amount it will now owe Mr V.

\*HM Revenue and Customs may require HSBC to deduct tax from this interest. It must give Mr V a certificate showing how much tax has been deducted if Mr V requests this.

### **My final decision**

HSBC's offer to compensate Mr V is fair. But it must arrange to pay compensation to Mr V as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or

reject my decision before 23 August 2023.

Nicola Bowes  
**Ombudsman**