

The complaint

Mrs S complains about how Lloyds Bank Plc processed a foreign cheque that she paid into her account.

What happened

In July 2020, Mrs S received a cheque for over 86000 Euros following the disposal of her late father's estate. She contacted Lloyds, who she holds an account with, as she wanted to pay in the cheque there. She made enquiries via telephone banking as to the time scales in relation to the cheque clearing process and whether any charges would be deducted.

Mrs S said she was informed that the cheque would clear within 3 to 5 working days. She said she wasn't told what exchange rate Lloyds would use but was told there wouldn't be any charges deducted from the cheque balance.

On 14 July 2020, Mrs S attended her branch in order to pay in her cheque. She said 3 different members of staff dealt with her. They contacted the international team as they didn't seem to know what the process was for cashing a large international cheque. Lloyds said a form was completed, and a referral was made to a specialist team to gain approval to process the cheque given its large value. The cheque was sent to this team the same day.

The specialist team informed Lloyds that it would require proof of entitlement of funds from Mrs S. The cheque was returned to the branch pending documentary evidence being provided by Mrs S. This was communicated with Mrs S.

On 20 July 2020, Mrs S attended her branch with a solicitor's letter confirming that the cheque was the proceeds of her late father's estate. Lloyds accepted this document as proof of entitlement of funds and contacted the specialist team again to re-request approval. Lloyds said it explained to Mrs S it could only process the cheque on a collection basis due to its large value and, following this explanation, the cheque was sent to the specialist team for processing on a collection basis.

Lloyds said that the cheque was sent by the specialist team to a third party on a collection basis on 22 July 2020. Lloyds said it received the funds from the cheque on 30 July 2020 and credited Mrs S with that sum immediately on receipt. No deductions were made from the amount received.

When the cheque cleared, and the money was credited to Mrs S' account, it was less than she expected by around £2000. Being dissatisfied with this, Mrs S complained to Lloyds about how it had dealt with her cheque. She said she hadn't been given sufficient information about the cheque clearing process, which she thought was because branch staff had been unfamiliar with what happened to foreign cheques. And she said that if she'd known how much she would have received, she'd have deposited her cheque elsewhere.

When Lloyds responded to Mrs S' complaint it acknowledged there had been shortfalls in the service she had received and apologised for that. And it explained that it had paid Mrs S £75 to recognise the distress and inconvenience this had caused. But it didn't uphold her

complaint about how long she'd had to wait for the cheque to clear. It explained that the cheque had been sent for collection, which can lead to delays in the funds being available. And it stated that the funds had credited Mrs S' account on 30 July 2020, which was the date the money was received, in the sum of almost £76800. It said it hadn't deducted a fee for depositing the cheque and had applied an exchange rate of 1.12879, which was the prevailing rate at the time the cheque was converted. So, it didn't think it had made an error.

Being dissatisfied with how Lloyds had dealt with her complaint, Mrs S referred it to our service. Our investigator weighed up the information provided by Mrs S and Lloyds but they didn't recommend upholding this complaint. Overall, they didn't think Lloyds had done anything wrong in how it had processed Mrs S' cheque. And they weren't persuaded Lloyds needed to do anything more as they thought it had dealt with Mrs S' complaint fairly and had paid a fair amount of compensation for the trouble and upset she'd been caused by any shortfalls in the service experienced. But Mrs S disagreed and asked for her complaint to be reviewed by an ombudsman.

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'm aware that I've not mentioned all of the issues raised by Mrs S in representations made to this service. I don't intend any courtesy by this - it just reflects the informal nature of our service. I've concentrated on what I think are the key issues. I can assure Mrs S and Lloyds that I've read everything that they've provided. So, if I've not mentioned something it's not because I haven't considered it. It's just that I don't think I need to comment on it in order to reach what I think is a fair and reasonable outcome.

I'm sorry to hear about the difficulties Mrs S experienced here. I understand that she's frustrated by way in which Lloyds processed her cheque and the exchange rate it applied. But I'm not persuaded to uphold her complaint. I'll explain why.

Cheques drawn on an overseas bank don't follow the usual UK cheque clearing process. When presented with a foreign cheque, a UK bank will decide whether it's prepared to accept the cheque by negotiation or collection. I can see that Lloyds explained the difference on the form it gave Mrs S, but I'll summarise the position here.

A negotiated cheque is one on which the bank gives value for the cheque funds on the assumption it will clear. While that gives certainty about the exchange rate that will apply, it presents a potential risk to both the bank and the customer, in the event the cheque is returned unpaid. Where the cheque is a relatively high value (as here), a bank may therefore be unwilling to accept a cheque for negotiation.

Cheques accepted for collection, on the other hand, offer certainty of payment but no certainty as to the exchange rate. That rate's established when cheque is paid, rather than when it's received.

The decision on whether to accept a cheque for negotiation is one for the bank to take. It's effectively providing an advance to the customer, and so the decision takes into account the risk of receiving payment in the event the cheque is returned unpaid. It's not for me to interfere with the bank's decision on the level of risk it's prepared to accept; in these circumstances I think it's for the bank to decide this for itself. However, it does mean it's therefore important that a bank makes its customer aware of the basis on which it's accepting a foreign cheque because this will inform the customer's decision about how they proceed, and the risks being accepted.

How did Lloyds make Mrs S aware it was collecting, rather than negotiating, the cheque?

Lloyds said the branch manager dealt with Mrs S on 20 July 2020 and recalls serving her. They remember explaining that the cheque would have to be processed on a collection basis and, following this explanation, Mrs S agreed for her cheque to be dealt with in this way. I don't have any reason to doubt what Lloyds has said here as I think it plausible that this transaction was memorable for the branch manager given the large value of the cheque and the complexities surrounding how it could be processed.

I can see that Mrs S has told our investigator that she accepts the evidence from Lloyds that she agreed for her cheque to be processed on a collection basis on 20 July 2020. So, I'm satisfied that she or ought to have reasonably known that Lloyds wouldn't be able to negotiate her cheque. I'm satisfied that, at this point, it was known that Lloyds was only able to proceed by collecting the cheque.

Mrs S has stated she didn't understand what collecting a cheque involved. So, I've considered whether adequate information was provided to her about the negotiation and collection process.

I've seen evidence that satisfies me that the processes for negotiating and collecting cheques are outlined clearly in the terms and conditions that apply to Mrs S' account. I've already mentioned that Mrs S signed the form that was completed in branch on 14 July 2020. This form relates to the cheque collection and negotiation process and I can see that Mrs S has indicated on the form that she had read and understood the terms and conditions that applied to the transaction she wanted to make.

The form that Mrs S signed sets out the difference between negotiation and collection in detail on page 4 stating for collection:

"We will credit your account after we receive payment from the bank the cheque is drawn on. We will do this when the cheque is drawn on a country where there are local payment restrictions, when the cheque is for a high value, or in certain other cases. We will tell you if we need to do this."

I can't reasonably say Lloyds ought to have provided information over and above the information contained in the form Mrs S signed. If she'd been unsure of the information she'd read in the terms and conditions she could have requested clarification from Lloyds prior leaving her cheque with the branch.

I'm satisfied, overall, that when Mrs S left the branch on 20 July 2020, she had the option of making alternative arrangements for her cheque to be processed elsewhere in the event that she didn't want to proceed by way of collection. In not doing so, I think Mrs S made an informed choice and deliberate decision to proceed on a collection basis. So, I can't fairly find that Lloyds didn't make Mrs S aware it would collect this cheque or what that process would involve.

Were there any delays in the way that Lloyds dealt with Mrs S' cheque?

Having carefully considered the chronology set out by Lloyds and Mrs S, I can't fairly conclude that there were delays involved in how the cheque was dealt with. I'll explain why.

When Mrs S attended her branch on 14 July 2020 she presented the cheque to Lloyds. However, it couldn't be processed at this stage because proof of entitlement of funds was required and this wasn't provided until a later date.

I'm satisfied that Lloyds properly sought advice by way of a referral to the specialist team on 14 July 2020. So, there were no delays there. It was only following that referral that Lloyds became aware that Mrs S would need to provide documentary evidence that she was entitled to the proceeds from the cheque. I'm persuaded that this was communicated with Mrs S in a timely manner because she returned to Lloyds with the required evidence on 20 July 2020.

I'm satisfied that during this second visit, Lloyds proactively sent the cheque, with a new referral, to the specialist team. Again, I haven't seen any evidence of delay. I don't think two days is an unreasonable time period for the cheque to reach this department from the date Mrs S attended the branch.

Mrs S is unhappy that she was unaware of the time it would take from providing her cheque to Lloyds on 20 July 2020 and the funds crediting her account. But Lloyds has explained that cheques that go for collection don't have a set time scale. So, it wasn't possible to provide a time scale because the time is dependent upon how quickly a third party is able to process a cheque.

I can see Lloyds wrote to Mrs S on 22 July 2020, acknowledging receipt of her cheque and explaining that "*it can take several weeks to receive proceeds from foreign banks, typically six to eight weeks*" where a cheque is sent for collection. I think that was an attempt to manage Mrs S' expectations based on Lloyds' experience of past delay and I can't say this was unfair or unreasonable.

I appreciate that it took 8 days from the date the cheque was sent to the third party bank to the date the funds were received. But this was far quicker than the timescale Lloyds had anticipated and made Mrs S aware of. I think 8 days is reasonable in the overall circumstances of this complaint. I've already explained, collecting a cheque can involve additional time in receiving the funds. And Lloyds can't, of course, pay the funds into a customer's account until they've been received – as is made clear on the form Mrs S signed.

It isn't unusual for a bank to have to wait around a week until cleared funds are received from a third party bank in circumstances where a large international cheque has been processed on a collection basis. This is set out in the terms and conditions that apply to Mrs S' account, which state:

"Collecting – we will pay the amount of the cheque into your account when we receive payment from the paying bank. The time this takes can vary depending on the paying bank or its country as we will send the cheque to them. We may use an agent to do this".

So, I can't say Lloyds hadn't made Mrs S aware that collecting a cheque may involve delays and the involvement of third party banks.

The evidence I've seen satisfies me that Lloyds transferred the funds it received from the third party to Mrs S on the date they were received. So, there were no delays in the money crediting Mrs S' account once Lloyds received the funds.

Was the exchange rate Lloyds applied to the cheque unfair?

Lloyds has explained that because cheques that go for collection don't have a set time scale it can't tell a customer what exchange rate it will apply. This is because the exchange rate can change daily and so this is determined at the time the funds are electronically received after the cheque has cleared at the issuing bank. The exchange rate used will therefore

depend on the rate on the day the payment is made or cleared, which can differ from the rate at the time of the deposit.

The terms and conditions that apply to Mrs S' account outline in unambiguous and intelligible terms how Lloyds will convert funds it receives following the collection of a cheque. They state:

"Collecting – we will pay the amount of the cheque into your account when we receive payment from the paying bank. The time this takes can vary depending on the paying bank or its country as we will send the cheque to them. We may use an agent to do this. When we receive payment from the paying bank, we will convert it to pounds, if applicable, using our standard exchange rate for the payment".

This was also confirmed by a letter Lloyds sent to Mrs S on 22 July 2020, which stated:

"When we receive proceeds we will credit your account... Any exchange rates used will be those of the day we receive proceeds."

I'm satisfied there was legitimate reason why Lloyds couldn't tell Mrs S what exchange rate it would use to convert her cheque. It couldn't have predicted when the cheque would clear or the rate it would apply on a future date. I think Lloyds gave Mrs S enough information overall about its foreign cheque collection process to help her understand that the exchange rate wasn't known at the point she asked the bank to collect on her behalf. I think it also provided information that explained how it would apply the exchange rate to the funds once they'd been received.

Mrs S chose to proceed with cheque collection knowing all this information. And I think that, when she made that choice, she ought reasonably to have known that the exchange rate would be determined some time after she presented her cheque to Lloyds and after it had received the funds from the foreign bank.

In considering whether the exchange rate was fairly applied, I've seen evidence showing that the funds from Mrs S' cheque were received from the third party bank on 30 July 2020. And, based on the evidence I've seen, I'm persuaded Lloyds applied its standard exchange rate for that day in line with the terms and conditions that apply to Mrs S' account.

I appreciate that Mrs S has provided our service with examples of historic more preferable exchange rates that were available at the time. But I'm satisfied that, in applying its standard exchange rate for 30 July 2020, Lloyds used the correct exchange rate when converting the funds it received from the third party bank to sterling so that it could credit Mrs S' account. While I can understand Mrs S' frustration, I'm satisfied Lloyds hasn't done anything wrong.

Were there shortcomings in the service Mrs S received?

Mrs S has told our service that there was confusion amongst branch staff regarding the process for clearing a foreign cheque and that this led to a lack of clarity in the information she was given. In its final response to Mrs S' complaint, Lloyds accepted that information about the cheque clearing process could have been presented more clearly at times.

I appreciate that Mrs S feels very strongly about the issues raised in this complaint and I've carefully considered everything she's said. But I'm satisfied that the £75 Lloyds has already paid Mrs S is fair to compensate her for the worry and trouble she would have been caused by any shortcomings in service here. It's in line with awards made by this service in comparable circumstances. So, I'm not going to ask Lloyds to do anymore here.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 23 May 2022.

Julie Mitchell
Ombudsman