

The complaint

Mr and Mrs C are unhappy with the delays caused by Bank of Scotland (trading as Halifax) in processing their Clearing House Payments System (CHAPS) payment.

What happened

On 11 November 2020, Mr and Mrs C asked Halifax to make a CHAPS payment of £650,000 for a house purchase. The payment was to be made to their foreign exchange broker, who would then process an international transfer to Mr and Mrs C's notary abroad.

Unfortunately, Halifax didn't process the payment on the same day. Mr and Mrs C said they spent the day checking their account and making numerous calls to their foreign exchange broker. The next morning, they saw that the funds hadn't yet left their account.

Mr and Mrs C spent several hours on 12 November 2020, unsuccessfully trying to contact the branch with long waiting times. They explained Halifax's customer service department weren't able to help them with processing the CHAPS payment, nor could they get in touch with the branch.

After close of business on 12 November 2020, Halifax processed the payment and the funds left Mr and Mrs C's account. But they say Halifax didn't update them and they only discovered this by checking their account the following day.

Mr and Mrs C explained it was important for the payment to be made on 11 November 2020 as they needed to get the funds to their notary in time, but also due to the exchange rate. And the delays with Halifax processing the payment caused them a financial loss as the exchange rate had dropped significantly when the funds were available to complete the international transfer on 13 November 2020.

Halifax initially said that they couldn't see why the payment wasn't processed and asked Mr and Mrs C to contact the receiving bank in case the error was at their end. After further discussion with Mr and Mrs C, they apologised and said they hadn't followed the correct process to make the CHAPS payment before the cut off. They offered to pay £500 compensation for the distress and inconvenience caused to Mr and Mrs C.

Unhappy with how Halifax handled their CHAPS payment and complaint, Mr and Mrs C referred the matter to our service. Our investigator said that Halifax had made an error in failing to process the payment on time. She said that Halifax couldn't reasonably have foreseen that Mr and Mrs C would've been affected by changes to the exchange rates. She felt £500 compensation was a fair amount.

Mr and Mrs C disagreed and asked for an ombudsman to review the complaint.

My provisional decision

I issued a provisional decision on 18 July 2022. My findings were as follows:

“CHAPS is a system that allows large transfers between bank accounts on the same day. The terms and conditions say that the CHAPS payment will be processed on the day it’s requested, providing Halifax receives the request by 4:25pm. Mr and Mrs C’s CHAPS request was processed at around 10:35am on 11 November 2020. So, I think Mr and Mrs C had a reasonable expectation that the funds would’ve been in their foreign exchange broker’s account the same day.

Halifax have already admitted that they failed to follow the correct process to complete the CHAPS payment before the cut off. I can see they rectified their error by processing the payment again on the next working day on 12 November 2020. The payment was successful, and the bank statement shows the funds left Mr and Mrs C’s account.

Mr and Mrs C say that they lost a significant amount of money due to the changes in the exchange rate as a result of Halifax’s delay in processing the CHAPS payment. They explained the payment wasn’t credited in the foreign exchange brokers account until after close of business on 12 November 2020, which meant they couldn’t make the international transfer to their notary abroad until 13 November 2020.

Halifax can be held responsible for financial losses if they were incurred as a direct result of their action or inaction, and if the losses were foreseeable.

Although the payment wasn’t an international transfer, it’s arguable that the fluctuations in exchange rates were foreseeable by Halifax. I say this because the beneficiary of the CHAPS payment was a foreign exchange broker. Also, Halifax have a duty to protect Mr and Mrs C’s account. As part of this, I’d have expected them to ask questions around the purpose of the payment. I think it’s likely that during these discussions, Halifax would reasonably have become aware that Mrs and Mrs C were transferring the funds to their foreign exchange broker to send to their notary for a property purchase abroad.

So, Halifax should’ve foreseen that any delays in actioning Mr and Mrs C’s payment could potentially result in a financial loss due to the changes in exchange rates.

While I agree Halifax can be held responsible, I need to be satisfied that there was a financial loss.

Mr and Mrs C have provided us with a foreign exchange chart. However, this doesn’t show the date it relates to. It’s also not specific to the exchange rates Mr and Mrs C would’ve got through their foreign exchange broker, which is usually slightly less.

The transaction details provided to us by Mr and Mrs C show that the payment was sent by their foreign exchange broker on 16 November 2020 rather than 13 November 2020. This shows that there was no certainty that the payment would’ve been processed by the foreign exchange broker at the earliest available opportunity. So, I don’t think I can fairly hold Halifax responsible for the changes to the exchange rate.

In any event, I’m not satisfied Mr and Mrs C have suffered a financial loss. I say this because, if there were no issues with the CHAPS payment being processed, the payment wasn’t guaranteed to be in the foreign exchange brokers account by close of business on 11 November 2020, simply that it would be the same day.

This means the funds could've credited the foreign exchange brokers account at any time, including after 5pm on 11 November 2020 and Mr and Mrs C were unlikely to receive the favourable exchange rate on this date.

Instead, the funds would've been available for the foreign exchange broker to transfer abroad on 12 November 2020 at the earliest. And the international transfer would've been processed the next working day which was 13 November 2020.

I've said that the foreign exchange broker would've processed the exchange rate on the next working day, based on the fact that they didn't make the international transfer on 13 November 2020 even though the funds were available in their account. The actual transfer took place the next working day which was 16 November 2020.

This means that the loss Mr and Mrs C suffered would be the difference in exchange rates between 13 November 2020 and 16 November 2020. The date the international transfer would've taken place against when it actually took place.

In the absence of evidence to show the exchange rates Mr and Mrs C would've got through their foreign exchange broker on 13 November 2020, I've looked online to find the historic exchange rates for Euros. I've shared the link to the website I've used with all parties to this complaint.

To ensure fairness, I've used the average rate for both dates to calculate if Mr and Mrs C suffered a financial loss. The average rate on 13 November 2020 was 1.1131 amounting to €723,515 and the average rate on 16 November 2020 was 1.1142 amounting to €724,198.

This means there was no financial loss as the rate on 16 November 2020 was more favourable by around €683, in comparison to the exchange rate Mr and Mrs C would've received if there was no error on Halifax's part.

And even if I took the exchange rate Mr and Mrs C told us they would've received on 13 November 2020 which is 1.1084 to calculate if they suffered a financial loss as opposed to the average rate, then they still haven't lost out. I say this because the transaction details show the actual rate Mr and Mrs C received for their international transfer on 16 November 2020 was the same at 1.1084.

Since there is no financial loss, Halifax don't need to reimburse Mr and Mrs C. However, the delays in processing the CHAPS payment undoubtedly had an impact on them. I've carefully thought about this to decide a fair amount of compensation.

Mr and Mrs C have explained they spent numerous hours on the phone trying to get hold of the branch. I can understand the frustration and annoyance they were caused as they say they couldn't reach the branch and the customer services department weren't able to help them. They were also not kept informed about the payment and had to keep checking their online banking to see if there had been any progress. Buying a house is an already stressful experience and I don't doubt Mr and Mrs C when they say they were caused untold worry.

Halifax could've dealt with Mr and Mrs C's complaint better. They initially told Mr and Mrs C there was probably an issue at the receiving bank which wasn't the case. This would've added to the distress and inconvenience Mr and Mrs C were caused. Halifax also quoted incorrect information in their final response letter. This would've made Mr and Mrs C feel like their concerns weren't taken seriously.

I've taken into account that Halifax rectified their mistake the next working day, so the impact on Mr and Mrs C wasn't prolonged. I also consider that Mr and Mrs C could've mitigated the impact on them by planning ahead and making the payment earlier so that the funds were with the foreign exchange broker in advance, particularly if the exchange rates were so important to them.

Also, the foreign exchange broker didn't make the international transfer as quickly as Mr and Mrs C indicated to us. They completed it the working day after the funds were available, suggesting that the payment wasn't as urgent.

All things considered, Mr and Mrs C were caused significant inconvenience, distress, worry and upset. It has required a lot of effort on their part to sort out. Having taken everything into account, I think Halifax did the right thing by apologising to Mr and Mrs C. Also, the compensation offered of £500 is fair and reasonable in the circumstances to recognise the distress and inconvenience they were caused. So, I won't be asking them to do anything else to resolve this complaint."

Responses to my provisional decision

Mr and Mrs C responded providing evidence to show that they agreed the exchange rate with their foreign exchange broker on 13 November 2020 – when the funds were available to complete the international transfer.

Based on this new information, I sent an email to both parties to explain my decision had changed. The email setting out my new provisional decision said:

"In my provisional decision, I explained that I wasn't satisfied Mr and Mrs C has suffered a financial loss.

Mr and Mrs C have provided evidence to show that they agreed the exchange rate with their foreign exchange broker on 13 November 2020 – when the funds were available to complete the international transfer.

Although it appears the international transfer was completed on 16 November 2020, Mr and Mrs C had already agreed the exchange rate and for the international transfer to be completed on 13 November 2020, so any changes to the exchange rate after this wouldn't impact their transaction.

In light of this, if there were no issues with the CHAPS payment being processed, then the funds would've been in the foreign exchange brokers account the same day – 11 November 2020. The earliest opportunity for Mr and Mrs C to instruct their foreign exchange broker to complete the international transfer would've have been 12 November 2020.

I appreciate Mr and Mrs C feel they should be reimbursed for the change in exchange rate from 11 November 2020 to 13 November 2020. But as I explained in my provisional decision, the CHAPS payment wasn't guaranteed to be in their foreign exchange brokers account by close of business on 11 November 2020 – simply that it would be the same day of the request.

And we can't know for sure when the funds would've credited the foreign exchange brokers account on 11 November 2020 – as it could've been at any time, including

after 5pm. So, I can't say with complete certainty that Mr and Mrs C were likely to receive the favourable exchange rate on this date.

It's more likely, as I've mentioned above, if the CHAPS payment was processed correctly as expected, then earliest opportunity that Mr and Mrs C could've agreed the exchange rate and instructed their foreign exchange broker to complete the international transfer was 12 November 2020.

Based on this, I'm satisfied Mr and Mrs C suffered a financial loss as there was a fluctuation in exchange rates between 12 November 2020 and 13 November 2020.

As a result, the financial loss suffered by Mr and Mrs C would be the difference in exchange rates between 12 November 2020 and 13 November 2020. The date when Mr and Mrs C would've finalised the international transfer with their foreign exchange broker against when they were able to do so.

We haven't got evidence of the exchange rate Mr and Mrs C would've received on 12 November 2020. I've used the same website as I did when issuing my provisional decision to look at the historic exchange rates for Euros. All parties to the complaint already have been given a link to this website.

Again, to ensure fairness, I've used the average rate for both dates to calculate Mr and Mrs C's financial loss. The receipt provided by Mr and Mrs C shows that the amount they transferred was £580,386.13.

The average rate on 12 November 2020 was 1.1167 amounting to €648,117.19 and the average rate on 13 November 2020 was 1.1131 amounting to €646,027.80. This means Mr and Mrs C lost out on €2,089.39 due to the delays in Halifax processing their CHAPS payment.

Therefore, to put things right, Halifax should refund Mr and Mrs C £2,333.22. I've arrived at the figure by converting €2,089.39 into Pounds using the average exchange rate I've set out above for 12 November 2020.

Halifax should also add 8% simple interest on this amount from 12 November 2020 to the date of settlement.

My findings on the compensation amount of £500 for the distress and inconvenience caused to Mr and Mrs C still remain the same. So, Halifax should pay this, if they haven't done so already."

Following this, Mr and Mrs C responded to explain their international transfer was completed in two different transactions. The receipt we had been given previously showed a transfer amount of £580,386.13 which is the figure I used to calculate the redress. They provided us with the second receipt which showed the transfer amount of £69,613.86 which totalled £649,999.99 – which is the same amount as the CHAPS payment, less a penny.

Mr and Mrs C also felt that their financial loss should be considered on the actual rate they received on 13 November 2020 of 1.1.084. They accepted that the average rate for 12 November 2020 of 1.1167 should be used which they say results in a loss of €5,395.

I sent a further provisional decision to both parties to make changes to the redress I proposed. My email said:

"In my email of 28 July 2022, I said the receipt provided by Mr and Mrs C showed that the amount they transferred was £580,386.13. They have responded to me explaining that their international transfer was made in two different transactions. One for £580,386.13 and the second for £69,613.86 totalling to £649,999.99 – which is the same amount as the CHAPS payment, less a penny. They have now provided us with the second receipt.

Based on this, the financial loss Mr and Mrs C have suffered needs to be on the figure of £649,999.99 rather than £580,386.13.

Mr and Mrs C have accepted the average exchange rate I've used for 12 November 2020, but they feel the exchange rate used for the 13 November 2020 should be the actual rate they received as shown on their receipt of 1.1084 – meaning they've lost €5,395.

I'm afraid I disagree. It wouldn't be fair and reasonable to use the average exchange rate of 12 November 2020 against the actual exchange rate on 13 November 2020. This is because it wouldn't be a balanced way to calculate the financial loss. By using the average exchange rate for both dates of 12 November 2020 and 13 November 2020, it ensures fairness to all parties involved.

And to make the calculations simpler, I've used the amount of the CHAPS payment of £650,000. The average rate on 12 November 2020 was 1.1167 amounting to €725,855 and the average rate on 13 November 2020 was 1.1131 amounting to €723,515. This means Mr and Mrs C lost out on €2,340 due to the delays in Halifax processing their CHAPS payment.

Therefore, to put things right, Halifax should refund Mr and Mrs C £2,613.08. I've arrived at the figure by converting €2,340 into Pounds using the average exchange rate I've set out above for 12 November 2020.

Halifax should also add 8% simple interest on this amount from 12 November 2020 to the date of settlement.

My findings on the compensation amount of £500 for the distress and inconvenience caused to Mr and Mrs C still remain the same. So, Halifax should pay this, if they haven't done so already."

Mr and Mrs C responded to say they were disappointed that the actual final rate they received wasn't used to determine their full loss. But they were happy to accept my decision.

Halifax said they were happy to accept my recommendations to bring the complaint to a close.

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.

Since both parties have accepted my provisional decision, there is nothing further for me to consider. I'm satisfied with the findings I reached in my provisional decision.

To put things right, Halifax should:

- Refund Mr and Mrs C £2,613.08
- Add 8% simple interest* per annum from 12 November 2020 to the date of settlement
- Pay £500 compensation, if they haven't already done so

*HM Revenue & Custom requires Halifax to deduct tax from this interest. Halifax must give Mr and Mrs C a certificate showing how much tax has been taken off, if they ask for one.

My final decision

For the reasons I've explained, my final decision is that Bank of Scotland (trading as Halifax) should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 9 September 2022.

Ash Weedon
Ombudsman