DRN-3665488

The complaint

'A', a limited company, complains that Lloyds Bank PLC didn't make its fees for currency payments clear and that it provided poor service.

What happened

A asked that US Dollars 50,000 be paid from its currency to sterling account. It received less sterling than it expected and later found out that a margin of 2.6% per cent had been applied. A says this should have been disclosed and was unreasonable. It also received an inward payment of US Dollars with an unexplained deduction of $35. And it was dissatisfied with the level of service provided and how long it took to get any answers.

Lloyds said that the exchange used to convert the money included a margin of 2.6% and that as A hadn't booked a rate or called about the transfer there was no guarantee when it would go through. The deduction from the other payment was one made by the sender of the funds and so not something Lloyds would notify. It said that A is supported by a group of telephony-based managers. And they wouldn't be making contact with A to discuss requirements but were available if it wanted. Lloyds accepted that it hadn't provided answers to all the questions and understood A was unhappy with the service and so after the complaint was referred to this service it offered to pay £100.

Our investigator didn't recommend that Lloyds do anything more than this. She said that each financial business would set its own exchange rate. A could have called and booked a rate but it didn't do so. No error had been made. Lloyds had now explained that the deduction from the other payment inward was one made by the sender. Taking into account the time until Lloyds explained what happened she thought that the compensation was reasonable. And Lloyds didn't offer one to one relationship management with A's account.

A didn't agree. The director said that insufficient weight had been given to the absence of transparency in the fee. This should have been disclosed before the payment and as part of the post trade report. This had only been disclosed some three months after the trade. The level of fee was 'outrageous', and A wouldn't have proceeded had it known. The impact for what A received from this payment was some £1,000. And when Lloyds issued its final response it wrongly said that the complaint was upheld.

my provisional decision

I issued a provisional decision on 25 July 2022. I set out below what I said.

I'd asked Lloyds through our investigator for some more information about what happened. Lloyds provided details of the information A gave in branch when the transfer was requested. It said that a rate would only have been booked if the amount was over £50,000 equivalent. I'd also asked it about information on its website regarding foreign exchange margins and stating that these could be lower for payments over £25,000. Again, it said that if a rate had been booked a margin of 2.364% would have applied with a difference for A of around £85.

I could see that A wrote to Lloyds first to request the transfer in a letter dated 28 November

2021. A says it received a response on 8 December 2021 by letter stating that Lloyds had tried to get in touch. I hadn't seen a copy of that letter. But I knew that following this the director then went to a branch. The transfer was made on 15 December 2021.

As indicated above I'd seen information on Lloyds' website about foreign exchange margins. And this indicates that standard margins apply 'automatically'. The relevant ones here are a margin of 2.6% on payments up to £25,000 and then 2.1% on the specific element of the payment over £25,000 and up to £50,000. There is an online calculator and as Lloyds says that produces an overall margin on the sterling equivalent amount here of 2.364%.

The margin on foreign exchange payments is clearly publicly available information and it should have been an easy matter to deal with any questions from A about this. As our investigator says financial businesses set their own commercial exchange rates and we don't have a role in saying whether any rate used is reasonable. And it's common that the rate given includes that margin and isn't separately identified.

When A first wrote to Lloyds it didn't know what exchange rate it would obtain or when the transfer would be made. It didn't seem to request any indicative rate or compare that to what might then be available at any other financial businesses. It went into a branch. Neither A nor Lloyds have explained what if anything beyond completing a form was discussed. It doesn't seem from what Lloyds says that in any event a rate could have been booked from a branch. A gave instructions and these were executed.

I was still unclear why A wouldn't have benefited from the sliding scale of margins I referred to above. If a process meaning that it couldn't book a rate in branch overrode the margin reduction then that seems to be an unfair result in the specific circumstances of this complaint as A had contacted Lloyds central team first. And based on what is stated on the website I thought A could reasonably now expect to have benefitted from that lower margin whether or not a rate had been booked. In this case I considered it fair that A is refunded the potential £85 difference noting that I'd additionally given Lloyds the opportunity already to explain this in full.

I didn't have anything to add to what's been said about the $35 deduction on the other payment. And the nature of relationship management offered to A is a matter for Lloyds.

In the final response Lloyds seemed to accept that A may have been caused inconvenience by not getting clear answers and having to visit a branch after the transaction. So, I didn't see the heading of the letter was incorrect although of course A hadn't been offered any compensation then. And the time to respond to a complaint is about complaint handling which isn't a regulated activity. And this wouldn't have prevented A referring its complaint to this service if there'd been no written response after eight weeks.

I reviewed the compensation offered by Lloyds. Taking into account the delay in answering a simple question and the ongoing inconvenience for A then I considered that the appropriate amount taking into account our published guidelines is £200 and this should be paid along with the refund of part of the fee of £85.

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.

Lloyds said it didn't have anything further to add.

A said that it remains of the opinion that it should have been informed about the specific charges. It accepted based on what I said that these generally were publicly available. A still wanted a contract note showing the charges so it could properly account for this and as requested by its accountant. A said that the lack of the paper trail was a significant omission. It accepted the proposed compensation.

I'm afraid I won't be requiring Lloyds to produce any documentation about this transaction other than it has already. A has referred to this as a charge but as I explained in my provisional decision it is a margin commonly applied by financial businesses to market exchange rates. A was made aware of the exchange rate applied by Lloyds.

So, I won't be departing from the conclusions of my provisional decision for the reasons I've already given.

My final decision

My decision is that I uphold this complaint in part and require Lloyds Bank PLC to pay A a total of £285 as explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 27 September 2022.

Michael Crewe
Ombudsman