

The complaint

Mr and Mrs W complain that The Co-operative Bank Plc (Co-op) applied an incorrect exchange rate to a foreign currency payment and provided them poor customer service.

What happened

Mr W sent a payment of 60,000 Euros from an overseas bank to his joint Co-op account with Mrs W. He says that his instructions to the overseas bank was for the money to be sent in Euros and be converted by the receiving bank (Co-op) into Pounds.

Mr and Mrs W say that Co-op sent them a letter, which they received on 30 October (although it was dated 15 September), that their account had been credited with £50,462.57. They said the letter stated the exchange rate applied had been fixed by other banks (which they didn't specify who) and was at an exchange rate of 1.18900008, but the rate of exchange indicated on the internet that day was 1.17311227, which should have resulted in a credit to their account of £51,146.

Mr W says he had multiple calls with Co-op and faced long hold times. He says the call handlers he spoke to were not aware of how international transfers and exchange rates worked, and they couldn't understand Mr and Mrs W's situation. They say that when they managed to speak to someone on 10 November, the call handler insisted the exchange rate had been fixed by the overseas bank, who had sent Pounds and not Euros to Co-op. Mr and Mrs W made a complaint to Co-op.

Co-op sent Mr and Mrs W a letter, saying their complaint had been resolved. Mr W had also received a response from the overseas bank, which contradicted Co-op's version of events. Mr and Mrs W sent this to Co-op on 10 December. As they had no response to this, apart from an email on 20 December from Co-op to say they were still looking into the complaint, Mr W rang Co-op on 17 January. He says the call handler was aggressive and arrogant and stated they had not written back to Mr and Mrs W as there was no need to do so as the matter had been resolved on 10 November and nothing had changed since then. Mr and Mrs W brought their complaint to our service.

Our investigator did not uphold the complaint. He said the documentary evidence supplied by Co-op demonstrated that the money was received on 15 September 2021, and that the exchange rate applied to the transfer matched their rate for the time and day the currency was converted. He said that online rates (such as the one Mr W saw online) would not necessarily be the same as the rates a bank will buy currency at, which would likely differ and as per Co-op's terms and conditions, it would be charged at their standard rate (and would likely include a margin for having provided the conversion service). Our investigator said Mr W did not experience unreasonably call waiting times and that the call handler Mr W spoke to on 17 January 2022 was calm and professional in setting out Co-op's decision. Mr and Mrs W asked for an Ombudsman to review their complaint.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr and Mrs W have made a number of points to this service and I've considered and read everything they've said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of their complaint in deciding what's fair and reasonable here.

I'd like to explain to Mr and Mrs W that it is not within this service's remit to tell a business how to run their incoming international payments procedures or what exchange rate they should apply. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct Co-op to make changes to their policies and procedures, if necessary. Our service acts as an informal dispute resolution service for complaints about financial businesses. We look at the circumstances of individual complaints and, on a case by case basis, taking into account relevant industry guidance for example, make findings about whether a financial business has failed their customer.

For ease of reading, I've set out my decision into two sections. The international transfer and the exchange rate. And the customer service Mr and Mrs W received from Co-op.

The international transfer and the exchange rate used

I've noted the strength of feeling that Mr W has about the rate that Co-op used in comparison to exchange rates he saw online – and with other financial institutions. But Co-op are entitled to use their own standard exchange rate to apply to incoming payments and as this is a commercial decision for them to make, I'm unable to instruct them what rate they should use.

But I have considered whether Co-op made any errors in processing the payment they received from the overseas bank for 60,000 Euros. And I'm not persuaded that they have. I say this as Co-op have explained to me that their exchange rate is automatically calculated by their system. They have said that there are different margins that are applied which depends on the incoming amount. They gave an example that as the payment made to Mr and Mrs W's account was for 60,000 Euros, then this would have received more of a preferential exchange rate than if the payment was under 20,000 Euros (and they gave an example that a payment over 100,000 Euros would receive a more of a preferential exchange rate than a payment of 60,000 Euros).

I've also seen a number of other international payments Co-op received on the same afternoon when the payment was credited to Mr and Mrs W's account. I've looked at other incoming Euro payments to other accounts. And these are aligned with what I've said in the previous paragraph, in terms of depending on the amount Co-op received, there appears to be a slight preferential rate applied to higher payments received. I have not seen any errors made with the exchange rate applied – even if Mr and Mrs W expected to receive more money than what they actually did.

In addition, Co-op's account charges leaflet, which is available on their website, sets out that they would use their own exchange rate. Under the "Receiving money from outside the UK - in sterling or foreign currency" section it says "We will use our standard rate of exchange. Please contact us for further information." So if Mr and Mrs W had any concerns with what exchange rate Co-op may use prior to the funds being transferred, or what margins would be applied, I'm persuaded it would be reasonable for them to either look online for this information or to contact Co-op to find out how this would work. So I can't say there were any errors in the exchange rate they applied to the incoming transfer.

Customer service

I've then considered the customer service that Mr and Mrs W received from Co-op. Although I've referred to Mr and Mrs W here, it is exclusively Mr W who directly speaks to Co-op.

Mr W has detailed that around five weeks after the transfer had completed, he received confirmation of the transfer from Co-op. But I am satisfied that they did send him the confirmation of the payment on 15 September as I've seen system evidence that it was sent on this date. So I'm unable to hold Co-op accountable for any delays by the postal service as this would be outside of their control.

I've considered what Mr and Mrs W have said about the contents of this letter. Specifically the letter clearly saying "other banks exchange rate" then it lists an exchange rate. I asked Co-op why this is displayed this way when they applied the exchange rate (and not any other bank or third party). They told me that the system they use doesn't know whether they or the overseas bank had applied the exchange rate and that is why it is displayed as it is.

So I'm persuaded that the letter was not clear to Mr and Mrs W and this is what made Mr W contact Co-op to find out who was responsible for the exchange rate he received. I've listened to the phone calls he had with Co-op on 10 November 2021, when he was able to speak to a call handler about this issue.

Mr W explains he had been waiting 18 minutes to be connected and the call handler apologises. He wanted to know why the amount which was credited was lower than the amount he was expecting. He is then transferred to a manager. Mr W comments that he believed the transfer should have taken two hours and not five days, but the manager confirms that Co-op don't hold onto the funds and they would credit the payment when they received it. She said she would need to speak to the foreign exchange team regarding the rate then she would need to ring Mr W back.

While waiting on the phone for 18 minutes would be frustrating for Mr W, I'm not persuaded that this would be excessive. As Mr W also asked to speak to a manager, I would expect this to take time for one to be connected to him. Mr W was on hold for slightly over five minutes to be connected to a manager, which I'm also persuaded was not an excessive time to wait, although I can understand his frustration after previously waiting for 18 minutes to be connected to a call handler.

There is no call recording available when the manager rings him back. So unfortunately I'm unable to rely on this here. I'm satisfied that she does ring Mr W back as there's a system note saying "outbound call to give the customer complaint resolution". But there is no further information provided.

On Mr and Mrs W's complaint form which they sent to our service, they said that they were told on 10 November that "the rate, however extortionate, had been fixed by the (overseas) bank, who had sent pounds and not euros to them, as stated in the document sent to us by the Co-op". When I asked Co-op about this, they said that Mr W would have been told the correct information when the manager rang them back.

When it comes to complaints where it's one word against another, I have to consider the evidence available to me. I then have to weigh the evidence against the balance of probabilities, that is, what's more likely to have happened in the circumstances.

On the balance of probabilities, the evidence would suggest the manager did not tell Mr W that the exchange rate was applied by Co-op themselves and I'll explain why. There is no call recording or system notes to evidence the manager informed Mr W of this. And the main

reason why I'm not persuaded he was told that Co-op applied the exchange rate is because he spent time communicating with the overseas bank to find out who applied the exchange rate after this call. The letter received from the overseas bank details that Mr W had been told conflicting information from them and Co-op. So I'm not persuaded that Mr and Mrs W would've rang the overseas bank and asked them to carry out an investigation if Mr W had been clearly told on the call on 10 November that Co-op were the ones who actually applied the exchange rate here.

I've then listened to calls that Mr W has had with Co-op on 7 December. He tells the call handler that he was told by a previous call handler that the money had been exchanged by the overseas bank, which Mr W tells the call handler he was surprised as this was not the instruction he gave to the overseas bank. He tells the call handler that he had received a letter from the overseas bank confirming that they did not apply the exchange rate, so he wanted to find out from Co-op who did this.

When the call handler puts Mr W on hold to speak to another colleague, he disconnects the call. But the call handler does give Mr W a call back. I've listened to this call also. She told him that she had spoken to their complaints department, who confirmed a complaint had been logged for him, explaining that "it wasn't unfortunately our error, it was the error of the sending bank, because when you send money from overseas to ourselves, the same as when we send money overseas, you should be given the rate of the transfer at that time, and I'm guessing from what you're saying, that hasn't been done".

Mr W explains that there wasn't a third party involved, so Co-op must have applied the exchange rate as the sending bank sent the money in Euro's. The call handler tells him that "there was a third party involved, because we get a special dealer rate...", Mr W tells her that he should have been notified if there was a third party and asks who the third party is as they had stolen £700 from him. As Mr W asks to speak to somebody else, the call handler puts him on hold to speak with the complaints team. When she returns to Mr W she explains that they will resend the letter they sent him regarding his complaint. Mr W is told this letter would contain rights to bring his complaint to our service.

So Mr W was told incorrect information on the call on 7 December. I say this as the call handler told him that he should've been given the exchange rate of the transfer at the time by the overseas bank, but the overseas bank would not be aware of Co-op's exchange rates which they used. The call handler told Mr W this was the error of the sending bank. On the same call, the call handler later gave the impression that it was a third party bank who applied the exchange rate and when Mr W said that they had "stole" £700 from him, he was not corrected that a third party bank was not directly involved and the money went from the overseas bank to Co-op without an intermediary bank being involved.

But as Mr W received rights to our service on the letter he was re-sent on this call, he could have referred his complaint to our service. As it was Mr W's choice to contact Co-op on 10 December when he received their response, it would be his choice to wait on hold if he wanted to speak to someone about their response, when he had already been told he could bring his complaint to our service.

But I would still expect Co-op to treat Mr W fairly on any further communications he had with them. I've considered the customer service that he received on further phone calls, specifically on 10 December and 17 January. Mr W spoke with a call handler on 10 December, as he had received a letter from them which told him if he had any questions or if he changed his mind how they resolved his complaint, then he should ring them on the number given. Initially, Mr W wasn't given the opportunity on this call to provide the further information for Co-op to consider. But then the call handler agreed to log a new complaint and they would also reference the old complaint. She told Mr W that they would complete a

“full investigation” for him. She also says “it does seem we need to look into it a little bit further for you.”

Mr W was told how he could add both references to his complaint when sending further information to Co-op. And he told the call handler he has since received information from the overseas bank to confirm the rate of exchange was set by Co-op.

Mr W sent Co-op an email with the further information which documented the issue with the exchange rate. He mentions the letter he received dated 15 September from them showing the other bank exchange rate, and confirmation from his overseas bank that Co-op had exchanged the rate. He then questioned if it was not Co-op or the overseas bank who exchanged the funds whether it was a third party who did this (as indicated on a previous call that it could be). He asked to be compensated by £684 (or a sum close to it) for the difference in exchange rate and £480 compensation for the poor customer service.

Mr W then received an email from Co-op on 20 December to explain they were still looking into his complaint. So the expectation here was that Co-op were still considering the further information Mr W provided to them.

Mr W rings Co-op on 17 January to find out what was happening with his complaint as he hadn't had a reply since the email on 20 December, informing him they were still looking at the complaint. But the call handler tells Mr W, it looks like that decision has changed and they are happy with their original response. After completing security, the call handler tells Mr W that “although we have sent you that letter, err which says we're going to look into it further, on further reflection, when we did look into it further, we actually feel that erm, the previous response that we gave you in writing, which was a letter sent to you dated the 10th November 2021, was the correct response and we won't be commenting any further.”

Mr W says if this was the case they should have written to him to explain this. The call handler says “we don't have to write to you as we already wrote to you.” Mr W takes exception to this as he refers to the email Co-op sent him, saying that they were still investigating the complaint. The call handler then tells Mr W that he will receive a response in due course. But Mr W doubts that this is true based on what he had been told.

Mr W was audibly distressed that he was told that Co-op weren't taking his complaint further and that they didn't have to write to him. This contradicted the email he had previously received that they were still investigating matters for him. And he was given the impression on a previous call that his new information would be considered. It was Co-op themselves, on the previous call who told Mr W that the best way to progress this was to raise a new complaint. It was only at the end of the call that the call handler then said Mr W would receive a response in due course – which was different to the information he had previously told the customer on the same call. A more detailed response was issued the following day.

So while I'm persuaded that Co-op made no error in the actual exchange rate they applied to the incoming Euro transfer, I'm persuaded that they let Mr W down on several occasions with how they responded to his queries. So it would be fair for Co-op to compensate Mr and Mrs W for the poor customer service they received. And I'll explain why.

From the calls that I've listened to. It is clear that Mr W had been trying to find out who was responsible for applying the exchange rate. Not only did the letter he receive dated 15 September indicate that it was the overseas bank that applied the exchange rate, but there is no evidence to support that Mr W was told by Co-op that they had applied the exchange rate – even when a manager called him back after speaking to the foreign exchange team.

The evidence suggests from Mr W's actions that he still hadn't been told who applied the exchange rate and this inconvenienced him to try and get to the bottom of this with the overseas bank, based on his payment letter dated 15 September and what he had been told on the phone on 10 November.

But even when Mr W had heard back from the overseas bank to say Co-op had applied the exchange rate, and he informed Co-op about this, he was told that it was an overseas bank error for them not telling Mr W the exchange rate and then the call handler said there was a third party bank involved. As Mr W had no confirmation about any third party involvement, and he was now under the impression that a third party had applied the exchange rate, this distressed him further.

So Mr W asked the overseas bank to confirm if there were any intermediary/third banks involved, which inconvenienced him further, who confirmed that there wasn't. And then Mr W emailed the further information to Co-op, after being given the details to let them know the further information, only to be told on the call on 17 January that they decided that their original response to his complaint was the correct response and they didn't need to write to him to tell him this – although at the end of the call the call handler said Mr W would get a response in due course.

So I've considered what would be a fair and reasonable outcome here. I know Mr and Mrs W want to be compensated with £684 for the difference in what they thought they would receive and what they actually received based on the exchange rate. But as I'm satisfied there was no error here, based on the reasons I've already given, I won't be instructing Co-op to pay Mr and Mrs W anything for the difference in the exchange rate from what they were expecting, to what they received.

I've considered the £480 that Mr and Mrs W have asked for the poor customer service they received. But I'm not persuaded that this amount is fair. I say this as compensation is a discretionary remedy that we sometimes award if we feel that a business has acted wrongfully and therefore caused distress and inconvenience to their customer over and above that which naturally flows from the event. When we recommend compensation, it is often modest and within our established guidelines. So £480 would not be within our guidelines for what happened here.

I'm persuaded that £150 would recognise the impact of the inconvenience and distress that the unclear and at times incorrect/contradictory information would have had on Mr and Mrs W. I think this is a fair amount of compensation as the unclear letter regarding the exchange rate they received dated 15 September, informing them that it was the other bank's exchange rate was applied – which was not Mr W's instruction, set off a chain of events which were mostly avoidable.

While Mr and Mrs W will have been ultimately disappointed with the exchange rate that was applied, if they were given clear information on the letter – or the first phone call which Mr W had with Co-op on 10 November, then I'm persuaded a lot of the inconvenience and distress could have been avoided. So it follows I intend to ask Co-op to put things right."

I invited both parties to let me have any further submissions before I reached a final decision. Neither party responded to my provisional 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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

Putting things right

In my provisional decision I said I intend to uphold this complaint in part. I said I intend to ask The Co-operative Bank Plc to pay Mr and Mrs W £150. I'm still satisfied this is a fair outcome for the reasons given previously.

My final decision

I uphold this complaint in part. The Co-operative Bank Plc should settle the complaint in line with the instructions in the *"putting things right"* section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 10 January 2023.

Gregory Sloanes
Ombudsman