

The complaint

Mrs A and Mr A complain that HSBC UK Bank Plc trading as first direct (firstdirect) didn't make an international payment.

What happened

On 17 November 2021, Mrs A and Mr A instructed an international payment of £30,000 to a beneficiary in Canada. The instruction was made online. On 14 December 2021, the amount was credited back to their firstdirect account; but there was an exchange rate movement against them which meant that £29,110.82 was returned. The reason given for the failed payment was 'invalid account number'.

Mrs A and Mr A complained. They said that firstdirect should bear the loss of £890. This was because they'd made the payment before successfully and to the same beneficiary, with the same account number and branch details. The beneficiary bank was in fact a branch of a private bank, and HSBC should've known that and advised them about that; or amended the payment. They said they received little support from firstdirect in tracing the payment or advising them what had happened. So, they were left worrying about what had happened to the £30,000 for several weeks. Subsequently, they learned that firstdirect had received the money back from Canada on 24 November 2021, so there had been a long delay in re-crediting their account.

Firstdirect said they couldn't say why the payment had been rejected – as the same details had been used for other payments to the same beneficiary in the past. They suggested that Mrs A and Mr A take that up through the beneficiary and his bank. But firstdirect had put a trace on the payment and had chased that through. A lower amount had been returned to Mrs A and Mr A's bank account due to the exchange rate used at the time the funds were converted back to GBP. The terms and conditions covering payments said that if this happened, the account holder should bear the difference.

Mrs A and Mr A brought their complaint to us. Our investigator said the onus was on the person requesting the international payment to provide the correct details – and that was Mrs A and Mr A. He couldn't explain why the payment had been returned - as similar payments had been made in the past. But – Mrs A and Mr A had contacted firstdirect on 26 November 2021 to find out about the payment as it hadn't been received by the beneficiary. And it then took until 14 December 2021 for it to be returned to their bank account. For this delay, he said that compensation of £100 should be paid.

Mrs A and Mr A didn't agree and asked that an ombudsman look at their complaint.

I reached a provisional decision where I said:

Mrs A and Mr A had made payments to the beneficiary using the same account number and branch sort code before, and those were successful – I could see this was the case when payments were made on 29 July 2021 and then on 16 November 2021. So – it was a mystery as to why the payment on 17 November 2021 wasn't also successful. Firstdirect can't say what happened, and I've seen nothing that shines any light on the matter, other

than the payment was returned with the message 'invalid account number'.

Mrs A and Mr A made the payment online – using the same details as for the previous payments they'd made to the same beneficiary. But – in those circumstances, it is the responsibility of the person instructing the payment to make sure the details are correct. Mrs A and Mr A make the point that the beneficiary bank appeared to be a branch of a private bank, and that couldn't have been correct – but in all fairness, we can't expect firstdirect to have known that or to have advised Mrs A and Mr A to change the payment because of that.

I looked at firstdirect's terms and conditions and they say that if a payment fails and is returned, then any losses are for the payer's account. They say *"If a payment is returned to us....we'll reverse it using the exchange rate at that time. The exchange rate may have changed. So the amount we pay back may be more or less than we originally took from your account"*.

In these circumstances, we would expect firstdirect to act and put a trace on the payment – which we've seen they did after Mr A called them on 26 November 2021.

And so – in this case, first direct acted reasonably in the ways I've described, and I don't think it would be fair or reasonable to ask them to refund the exchange loss of £890 to Mrs A and Mr A.

But I've then considered how firstdirect helped Mrs A and Mr A. They told us they are both in their 80s and Mr A is registered blind. I can see that Mr A called firstdirect on 23 November 2021; 26 November 2021; 7 December 2021 and 13 December 2021. Each time he was told that firstdirect were trying to trace the payment. On 14 December 2021, Mr A called again and was told the payment was being refunded to the bank account.

But I can also see that the money was returned to the bank earlier - on 24 November 2021. And therefore, when Mr A made the latter three calls to firstdirect, the money was back with the bank; and presumably firstdirect could've advised him of that – rather than saying it was still being traced through the international payments system. And so – it seems to me that here, firstdirect could've put Mrs A and Mr A's minds at rest much earlier than they did. And as a result, Mrs A and Mr A had the worry and stress for a lot longer than needed to be the case – the potential loss of £30,000 was clearly a concern and a worry for them.

I can then see that it took from 24 November 2021 to 14 December 2021 to refund the money to Mrs A and Mr A's bank account. Firstdirect said this was due to being busy and staff shortages. I don't think that's a fair reason for the delay – during which period, Mrs A and Mr A had no knowledge of what had happened to the money.

Mrs A and Mr A have argued strongly that they were distressed and worried about the whereabouts of a large sum of money – they've said they had many sleepless nights. And I can appreciate that. And in this case, it would be reasonable to expect firstdirect to have been able to advise them at an earlier stage what the position was; and also refund the money to their bank account much earlier than they did.

And so, I'm persuaded that this justifies a higher amount of compensation here. Our service has set out criteria for considering awards. We say an award up to £300 might be suitable where there have been repeated small errors, or a larger single mistake, requiring a reasonable effort to sort out. Typically, the business's actions could have resulted in some acute stress lasting hours at the lower end – or a have had a milder impact across a few days, or even weeks. In line with this and in the circumstances of this complaint, I think compensation of £250 is appropriate for the reasons I've set out.

Responses to the provisional decision:

Firstdirect accepted the findings and compensation. But Mrs A and Mr A made several comments in response. In summary, they said:

- 1) The tracing process didn't start for five business days after the payment was sent – they were told that by firstdirect. And by the time they later called again, the money was already back with firstdirect, but they weren't told that.
- 2) The loss on the exchange rate was due to firstdirect unfairly profiting from using a rate which made profit for the company – rather than using (say) a mid-point rate. The clause in firstdirect's terms and conditions is therefore misleading – it should say a different rate should be used.
- 3) Firstdirect should've contacted Mrs A and Mr A when the funds were returned and asked them how they wanted to deal with their return – rather than converting it back to GBP. In this way, the exchange loss could've been avoided as they wanted to make the currency payment again.
- 4) The beneficiary suffered a cost of £200 due to having to borrow money for the period the payment was delayed by – it was resent on 22 December 2021. But it was unlikely that they could get any evidence to show this cost.

I now need to consider these points and make a final 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 do appreciate the further points that Mrs A and Mr A have made. I will comment on them in turn:

- 1) I accept that the process of the trace and the time taken to return the funds to Mrs A and Mr A's account was slower than it should reasonably have been – I covered this in the provisional decision.
- 2) I hear what Mrs A and Mr A have said here. But the main thrust of the section in the terms and conditions is that – there may well be a loss on the exchange rate. Which I think is reasonable. And – firstdirect did have to convert the Canadian dollars they received back to GBP – and at the prevailing exchange rate at that time. I don't think it's reasonable to expect firstdirect to use a different rate.
- 3) During our investigation, we asked firstdirect if they could 'hold' the funds in the way suggested by Mrs A and Mr A. And they simply don't have the systems or processes to do that. And the nature of our role is that we can't insist that a firm changes its operational processes.
- 4) This is a new complaint point. We could only consider further compensation in this respect if we can see evidence of the cost – which Mrs A and Mr A say they can't get. And more importantly, I would have to be reasonably sure that the loss was caused by an error by firstdirect. And in the provisional decision – I am that firstdirect were not responsible for the funds not being credited to the account in Canada – as they were returned by the beneficiary bank (with the reason 'invalid account number'). Rather - the compensation I proposed was for the delay at firstdirect in

dealing with the return of the funds once they were back in the UK, and for the poor service given when Mrs A and Mr A called for information.

Therefore, in making my final decision, for the reasons I've given, I am not changing from the provisional decision.

My final decision

I uphold this complaint. And HSBC UK Bank Plc trading as first direct must:

- Pay compensation of £250 for stress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A and Mr A to accept or reject my decision before 25 January 2023.

Martin Lord
Ombudsman