

The complaint

C complains that it was caused a loss on a currency payment made by HSBC UK Bank Plc (HSBC).

What happened

On 31 May 2022, C made a payment of EUR 32,000 to a beneficiary in Europe. The GBP equivalent was £27,875.17. On 6 June 2022, the payment was returned and C's account was credited with £26,873.43 – a loss of £1,001.74.

C complained. It said that to stand the loss wasn't fair. The payment had apparently been returned due to a 'glitch' in the banking system – and C didn't see why it should have to carry the loss. C said HSBC should've contacted it when the payment was returned and taken instructions as to what to do with it. If that had happened, the exchange loss wouldn't have occurred. C's director said she called HSBC when the payment was returned – and had to wait for three hours to get through to HSBC. Because of that, C's director said C suffered a loss of income of £400.

HSBC sent two final responses. The first said that a payment had been made to C from the overseas beneficiary, and it wasn't a return of C's original payment. C then questioned that and HSBC sent another final response. This said the payment was returned as a direct payment from the receiving bank. The only other detail they had was that it was returned for 'regulatory reasons'. HSBC said the return was of no fault of their own, or error, and therefore didn't agree to pay the exchange loss. HSBC apologised for the issues C had in contacting them and said they paid compensation of £50 by credit to C's account.

C didn't agree and brought its complaint to us. Our investigator said HSBC acted in line with their processes for returned payments. The payment had been sent back for regulatory reasons by the beneficiary bank. HSBC had no control over that. Due to the volumes of payment returns, HSBC couldn't be expected to contact customers about them. And they acted in line with their terms and conditions – which said the cost of any return had to be paid by customers. During our investigation, HSBC offered increased compensation of £100.

C didn't agree and asked that an ombudsman look at its complaint.

I then reached a provisional decision which said:

Let me say here that this service exists to resolve individual disputes between customers and financial businesses. We aren't the regulator of HSBC – that's the Financial Conduct Authority (FCA). So – we don't tell businesses to change their policies or practices. So – here, it's for HSBC to make its own commercial decisions as to how it runs its payments business. But we do say if a customer has, or hasn't, been dealt with fairly and reasonably –

based on the individual circumstances of their complaint.

Looking at the crux of C's complaint – that it shouldn't have to bear the exchange loss – I looked at HSBC's business banking terms and conditions. And these do say – where a payment is returned – for any reason – the cost must be borne by customers. They say: *“If the payment is returned to us or we can't make it for any reason, we'll reverse it using the HSBC Exchange Rate at that time. If the rate has changed, the amount we pay back when we reverse the payment will be different to the amount we originally took from your account.”*

C has argued that it's unfair that these terms and conditions are used in this way – and HSBC should exercise some judgment. And in C's case, HSBC should've contacted it to ask how to deal with the returned amount – for example, by sending it back again or putting it into a euro account.

We asked HSBC about both aspects – as they are linked. And they told us that it simply isn't part of HSBC's processes to do that, nor is it practical to contact customers as C suggests – because of the volumes involved. And I think that is a reasonable thing for HSBC to say in this case. And in making a provisional decision here, I also don't think I can override HSBC's terms and conditions. Therefore, C must stand the exchange loss.

But – I do think HSBC should do more to settle C's complaint. I say that on several counts:

Confusion over final response: I looked at HSBC's first response. This said the payment hadn't been returned but was 'a separate payment made by the beneficiary and not a rejection or return of your initial payment.' In fact, this was wrong. And HSBC corrected that in their second final response. But – C had to contact HSBC after the first erroneous response to find out what had happened. And in HSBC's second response, it would've been helpful if they had explained the reason for the return – E.g. that it was returned by the beneficiary bank for 'regulatory reasons'. But they didn't.

Confusion over the reason for the return: HSBC told us - and I have seen evidence – that the payment was returned for 'regulatory reasons' and it was returned by the beneficiary bank. But C then showed us that another member of HSBC's management advised her that it was returned by an intermediary bank. HSBC looked into this and reconfirmed it was returned by the beneficiary bank. HSBC couldn't explain why C had been so informed. But – this caused confusion on the part of C.

Wait times on the phone: C said it took three hours to get through to HSBC to ask what had happened. We haven't asked for evidence of this but I don't doubt what C has said here.

Payment of compensation: In HSBC's final response, they said they'd credited C's account with compensation of £50 – for the wait times on the call. But due to an error, this wasn't done. HSBC therefore increased the offer to £100 in recognition of that. But – there was an error here which I'm taking into account when deciding on the outcome.

In summary, HSBC were entitled to charge the return to C's account in the way they did. And it is reasonable for the exchange loss to be borne by C. But there were some service issues in the way HSBC dealt with C's complaint - there were errors in HSBC's final response; confusion over the reason for the returned payment; an error in the payment of compensation and a long wait time on the phone.

For these aspects, I think it's reasonable that HSBC pay a higher amount of compensation - £200. This to include the £100 offered and not paid. I know that this is less than C was hoping for - but I'm confident that it is the right outcome in the circumstances of this complaint.

Responses to the provisional decision:

HSBC broadly accepted the provisional decision. But C didn't. It said (in summary):

- C was blameless for what happened. It wasn't fair that C should stand the loss, despite what HSBC's terms and conditions say.
- HSBC should have a process to contact customers when such a payment is returned, rather than converting the euros back to sterling and debiting the bank account.
- The euros should have been converted back to sterling at the same rate they were sold at – so no loss to C.
- C suffered a loss of income of £400 – because of the time spent on the phone contacting HSBC.

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 appreciate the passionate responses from C – which I've considered.

C's main point is about fairness, which I understand. But - I must make a balanced decision based on all the evidence I've seen. I'd like to make the point that we are not a consumer body – we are an independent body and we don't take sides. We listen to both sides of a complaint, take evidence from both parties, and then decide on a fair and reasonable outcome – for both parties. And that's what I've done here.

HSBC's terms and conditions and processes are important aspects here. The terms and conditions are clear. And – our service doesn't have the power to tell HSBC to change its processes – which, as the provisional decision said, were to re-debit C's account with the sterling equivalent and at the current rate of exchange. And – it's also not in HSBC's processes to contact every customer where a payment is returned – for the reasons I set out.

I thought about the loss of income suffered by C. As a principle, our service doesn't meet loss of earnings – whether for personal customers or businesses. So – I'm afraid that's not something we can consider.

I know C will ultimately be disappointed by my final decision, but I also hope it appreciates my reasoning here.

My final decision

I uphold this complaint. HSBC UK Bank Plc must:

- Pay compensation of £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 24 May 2023.

Martin Lord
Ombudsman