

The complaint

Mr L complains that HSBC UK Bank Plc did not use the Confirmation of Payee (CoP) scheme to protect him when he made an international payment.

What happened

Mr L sent an international payment through HSBC for £49,534.14, which was converted by them to ensure 58,000EUR was sent, but this payment unfortunately had a bank name where the beneficiary name should have been entered. He says he told HSBC that the payment was to his recently opened account overseas and the payment was in relation to an acquisition of a property. Mr L says that HSBC changed the currency from Pounds to Euros when making the payment and they converted it back again without the intended beneficiary bank receiving the payment. Mr L says that the CoP didn't work for him here and that the intended recipient bank has a similar scheme in place, but the details didn't match, so they didn't convert the currency and they made no charge. Mr L made a complaint to HSBC and he also complained about the long waiting times to be connected to them.

HSBC partially upheld Mr L's complaint. They said his original payment was highlighted by their fraud detection system and was held for a security check. They said a text message was sent to him requesting him to make contact with them, which he did later the same day and he passed the security, so the payment was made. They said his funds were returned, but this was only for the value of £47,442.66. HSBC said that the reason that the payment credited was for a different value was due to the exchange rate that the beneficiary bank used when they returned the payment. They credited Mr L's account with £25 to apologise for the call waiting times. Mr L brought his complaint to our service. He also complained about how HSBC handled his complaint, as they had closed it down and then had to reopen it, they referred him to our service without having all of the details of his complaint and they included incorrect information in their responses to him.

Our investigator partially upheld Mr L's complaint. He said as Mr L had had inputted the information incorrectly there was no way of HSBC checking if the details were correct. He said the CoP wouldn't apply here as Mr L was making an international payment. But our investigator did say that HSBC gave him wrong information in their responses to Mr L which caused Mr L having to contact the beneficiary bank to clarify what actually happened. He said HSBC should pay Mr L a further £75.

Mr L asked for an Ombudsman to review his complaint. He made a number of points. In summary, he said he explained to their payment detection team before the payment was released that it was a payment to an account that he had set up in his name in order to transfer funds for a property he was purchasing and so they should've spotted the beneficiary needed to be him and not the name of the bank. He said HSBC should have been aware that EU EReg 2015/847 requires the name of the beneficiary on a transfer to fully correspond with the name of the holder of the account.

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.

Mr L has made a number of points to this service and I've considered and read everything he's 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 his complaint in deciding what's fair and reasonable here.

It is not within this service's remit to tell a business how to run their international payments processes or procedures such as what level of detail and checks they should be completing. It would be the role of the regulator – the Financial Conduct Authority (FCA), who have the power to instruct HSBC to make changes to their policies and procedures, if necessary.

I must explain to Mr L that complaint handling by a business isn't a regulated activity and as such, the issues he's raised that relate directly to how HSBC have investigated his complaint, such as when they choose to close a complaint down and then reopen it, or what information they should consider before they refer a customer to our service does not come under my powers to consider. But I will be able to look into the incorrect information that Mr L says the letters contained.

While there is a CoP scheme in place for domestic payments, there isn't the same or similar system in place for international payments. So although Mr L has mentioned the beneficiary bank subscribes to a similar system, unfortunately, these systems aren't in place for international payments. So the CoP would not apply here.

I've listened to the call which Mr L had with HSBC when his payment was subject to a security check based on their fraud detection system. The purpose of a fraud check would be to ensure that it is Mr L who is genuinely making the payment and that he has not been pressured into making the payment as it may have been an unusual activity on his account. The payment had already been processed by Mr L online prior to the fraud check.

The call handler explains that the reason the payment was held was because fraudsters and scammers can take advantage and they need to check the payment is not related to any of those activities. He asks Mr L the beneficiary of the payment and Mr L confirms it is the name of the beneficiary bank in a one word response to the call handler. So Mr L had confirmed the same beneficiary as what the information available to the call handler would have seen. He didn't say his own name in response to the beneficiary name.

Mr L told the call handler that he had completed his due diligence and he was confident the bank was legitimate. The call handler tells Mr L that *"HSBC won't be held liable for any subsequent loss"*. Mr L says *"we have to agree I have done checks, I have done the checks, all the checks that are possible"*. Then the call handler releases the payment. So I'm not persuaded that by having the bank name as the beneficiary name should have concerned the call handler enough to realise there was anything wrong with the payment here based on the conversation he and Mr L had. And it would not be unusual for a customer to transfer money into a bank's direct account. Ultimately Mr L confirmed that the beneficiary name was correct.

I've considered what Mr L has said about the regulations and them requiring the name of the beneficiary on a transfer to fully correspond with the name of the holder of the account. But I'm not persuaded that HSBC have broken any regulations here. I say this as they would have no way of verifying the details of the recipient account, as this was an external account overseas. It is in the beneficiary's bank's power to be able to check the payment against the account they hold as they have access to the intended recipient's information. And this is what the beneficiary bank did here.

This is why the third party bank told Mr L *"We inform you that we have proceeded to the*

return to origin of the same in accordance with Regulation (EU) 2015/847 of 20 May 2015 on beneficiary information accompanying transfers of funds and which requires that the name of the beneficiary of a transfer corresponds fully to the holder of the credit account for collections originating from outside the EEA, so we cannot execute the indicated payment order.”

HSBC’s terms and conditions are clear that *“You need to make sure you give us the right details, as we’ll make the payment using only the information you give us. It’s up to you to check the details are correct.”* They also confirm that *“If the payment is returned to us or we can’t make it for any reason, we’ll reverse it using the exchange rate at that time. The exchange rate might have changed. So the amount we pay back may be more or less than we originally took from your account.”*

As the exchange rate had changed from the day it was converted from Pounds to Euros then that is why when HSBC converted it back, Mr L received a lower amount of money. I’m satisfied they sent the funds to the third party bank with the details Mr L gave them. So I can’t say that HSBC have acted outside of their terms and conditions here. Ultimately it was Mr L’s responsibility to enter the correct details in the correct fields and check this was correct. He then confirmed the beneficiary name on the call with the fraud call handler. So HSBC acted upon his instructions after this and Mr L had confirmed he had completed all the checks he could do, and he did his due diligence. So I won’t be asking HSBC to refund the difference in the exchange rate.

But HSBC did let Mr L down on occasion. They weren’t always clear in their responses to Mr L as they mentioned an incorrect International Bank Account Number (IBAN) and an incorrect spelling of the bank name for possible reasons why the payment wasn’t successful. They also directed Mr L to the third party bank as they said the third party bank had converted the payment from Euros to Pounds, when it was actually HSBC who converted both payments. So Mr L was inconvenienced by having to contact the third party bank to get to the bottom of what happened. And this is when he was told of the real reason why his payment was rejected by them. And that it was actually HSBC that had converted the currency of the payment.

HSBC paid Mr L £25 for the call waiting times. But as they also gave Mr L incorrect information and told him to contact the third party bank – which he did, then I’m not satisfied that a total of £25 compensation represents a fair outcome for this complaint. Our investigator has suggested that HSBC pay Mr L a further £75 here. I’m satisfied that this is proportionate for what happened here. So it follows that HSBC should put things right.

Putting things right

Our investigator suggested that HSBC pay Mr L a further £75 for inconvenience, which I think is reasonable in the circumstances.

My final decision

I uphold this complaint in part. HSBC UK Bank Plc should pay Mr L a further £75 compensation for inconvenience.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr L to accept or reject my decision before 19 June 2023.

Gregory Sloanes
Ombudsman