

The complaint

Mr L complains that HSBC UK Bank Plc did not make it clear the mechanism used to exchange funds received in a different currency.

What happened

Mr L says he opened a HSBC account and a HSBC international currency account so he could receive United States Dollars (USD). He says he went through the marketing and account information prior to opening the accounts. He says the information stated the money would be exchanged, but it didn't state the mechanism used. He says he searched the application (app), and he could only find one rate, which led him to believe that was the exchange used, however, he was later informed that was not the exchange used. Mr L made a complaint to HSBC.

HSBC did not uphold Mr L's complaint. They said they use a live rate system that is updated every 40 seconds. They said their rate is derived from the live interbank market rate using the mid-rate, which is the average between the sell and buy rates, with their retail margin applied. HSBC said they don't advise customers what their margins are, but they are included within the rate. They said it's possible to see higher rates advertised elsewhere, but they do not use these rates and they could be calculated differently. HSBC said if Mr L wished to know the exact amount he is going to receive, he would need to request the sender to instruct the payment be received in the desired currency, and the remitting bank would then calculate the foreign exchange rate that is to be used and he would be aware of the exact amount prior to receipt. Mr L brought his complaint to our service.

Our investigator did not uphold Mr L's complaint. He said that the terms and conditions state that the funds would be converted to Pounds Sterling (GBP) using the HSBC Exchange Rate. He said HSBC don't detail what formula is used, and the HSBC rate includes a margin, which isn't publicly available at any point, so Mr L wouldn't know the specific rate he'd get. He said the website Mr L referred to states the rates shown are for informational purposes only, and it goes on to say they aren't available to customers as HSBC's own risk appetite, costs and charges aren't included, so he thought it was relatively clear for Mr L to know the rate on HSBC's website wasn't one he was likely to get. Our investigator said the only way to know for sure what amount he'd receive would be to ask the sending bank to issue the payment in the required currency. But this may not result in a higher amount.

Mr L asked for an ombudsman to review his complaint. He made a number of points. In summary he said he doesn't believe HSBC acted in line with The Consumer Protection from Unfair Trading Regulations 2008, The Business Innovation & Skills (BIS) Guidance for foreign exchange providers, he believed HSBC acted as a bureau de change, he doesn't remember seeing any warnings, they described the exchange rates as great rates and competitive rates, and he found a better exchange rate with a third party.

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.

Firstly, I'm aware that I've only summarised Mr L's complaint points. And I'm not going to respond to every single point made by him. No courtesy is intended by this. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome. But I can assure Mr L I have read everything he has said.

I must make it clear to Mr L that it is not within this service's remit to tell a business how they should operate their international payments procedures and what mechanism they should use. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct HSBC to make changes to their policies and procedures, if necessary.

Mr L has said that he suspects HSBC are not complying with their obligations under certain legislation. I've taken the relevant legislation into account when deciding this complaint – given that it's relevant law – but I've ultimately decided this complaint based on what's fair and reasonable. If Mr L wants a decision that HSBC has breached certain legislation then he'd need to go to Court.

Mr L has said that he had read all of the information prior to opening his accounts. I've looked on HSBC UK's website – which is the relevant website here, to see what information they provide. Mr L has said that HSBC didn't make it clear what exchange mechanism they used, so I've looked at the terms and conditions for the account which he opened, as Mr L is likely to have confirmed he read and agreed to these terms before he opened his Global Money Account (GMA).

But I am satisfied that the terms are clear what mechanism HSBC use for incoming payments. Page four of the terms has a section called "*Paying Money into your GMA*" and there is a table which shows a payment received "*From any HSBC UK account in another person's name or any account outside HSBC UK, in a foreign currency*", which is the section which is applicable here. The table also shows Mr L when he can use the money and it says "*Right after we convert the money to GBP using the HSBC Exchange Rate at the time we receive it*". So I'm satisfied that Mr L was made aware that HSBC will use their own exchange rate, the HSBC Exchange Rate, at the time they received it.

If Mr L was in any doubt about the mechanism used prior to him receiving the funds, then it would have been proportionate for him to contact HSBC about this for any further information to decide if he wanted to use them or not, but I've not seen that Mr L has done this. Instead it appears he has found a website from HSBC which shows a currency conversion.

But Mr L was not signposted to this website by HSBC. This website makes no mention of the HSBC Exchange Rate applicable to his GMA. I've noted the website does not have the co.uk ending that Mr L's GMA webpage uses, and it appears to be more of a HSBC global page as opposed to being UK specific. But regardless of this, I'm persuaded that Mr L ought to have known the figures he saw on this page weren't the exchange rate he would get.

I say this because there is several indications of this on the page. One of these says "*Please note: Rates available to customers will be subject to additional costs*". So I'm not persuaded that the figures on this page were indicative of the HSBC Exchange Rate which Mr L would be receiving. The webpage also says "*This site provides HSBC's mid-market rates with a 1 minute delay. Rates displayed are delayed by 1 minute. The rates shown will refresh every 60 seconds. These rates are indicative and are for informational purposes only. They are not*

available to customers and do not reflect tradeable prices on past or future transactions".

So HSBC have said these were for information purposes only, and they are not available to customers. The terms to Mr L's GMA also shows HSBC have different exchange rates as the aforementioned table in his terms and conditions also shows if money is received "*From any of your HSBC UK accounts to any of your currency balances, in a different currency*", then they would "*convert the money using the HSBC Global Money Exchange Rate at the time you make the payment*".

In addition, the webpage also confirms that "the mid-market rate does not include our costs. The HSBC exchange rate offered to you includes our risk appetite, the costs and charges we incur when conducting the transaction, and our commercial return on the risk we assume under the transaction". And there is a disclaimer which said "*The information contained on this site is not (and should not be taken as) investment advice, an offer to sell or buy currencies, or other instruments, nor to enter into any transactions.*"

So I'm not persuaded that Mr L should be under the impression that this information he found on this webpage would be an indication of the exchange rate he would get when HSBC did not signpost him to this website, or tell him this is what he would get, the website says rates available to customers will be subject to additional costs, it is for informational purposes only, they are not available to customers, it didn't say that it was the HSBC Exchange Rate, it said it was not an offer to sell or buy currency, and the mid-market rate doesn't include their costs.

I've considered what Mr L has said about HSBC using terms such as great rates and competitive rates. I've not seen any evidence that HSBC have used the term of great rates and HSBC said they don't use this term. But I've seen evidence they use the term competitive rates. Mr L has said he found a better rate elsewhere. But I'm not persuaded that just because Mr L has told us about one company with more favourable rates, that HSBC has been misleading with this term. The term used is not the best rates or a similar term. Mr L would need to compare all of the rates available from the potentially thousands of rates available to see if this is competitive or not. But I'm unable to conclude from the information Mr L has provided that this claim is misleading. So I can't conclude HSBC have done anything wrong here or haven't acted in line with The Consumer Protection from Unfair Trading Regulations 2008.

I've also considered what Mr L has said about HSBC being a bureau de change. While I can understand his logic, the GMA facilitates transfers, payments, deposits of funds in different currencies and not bureau de change services, which is what the BIS is for. But I have considered the BIS Guidance for foreign exchange providers that Mr L has mentioned regardless. I do note from this document that it is guidance, not regulation itself as it says "*You should not treat this guidance as a substitute for the regulations themselves*". I have also looked at the regulations relating to this.

I also note point five of the guidance states "*There is no requirement in the regulations to give exchange rate indications, but when an exchange rate indication is given, it must conform to the regulations*". So this confirms that there is no requirement in the regulations (not guidance), to give exchange rate indications. And based on the information of the website Mr L found, I can't reasonably say he was given an indication of the HSBC Exchange Rate which would be applicable to his GMA based on the information on this webpage which I've highlighted earlier in this decision. So it follows I don't require HSBC to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 5 January 2024.

Gregory Sloanes
Ombudsman