

## The complaint

Mr H complains that Rational Foreign Exchange Limited trading as RationalFX (Rational) closed a forward contract.

## What happened

On 5 December 2021, Mr H arranged a forward contract with Rational. It had an expiry of 5 December 2023 and was to use Euro 519,613 to buy USD574,121 at a rate of 1.1048. Mr H paid a deposit of Euro 51,961.

In June 2022, Mr H discussed the forward contract and his currency strategies with Rational. Rational cancelled the contract on 2 August 2022.

Mr H contacted Rational in October 2022 and asked to use the forward contract. He was then told it had been cancelled.

Mr H complained. He said he didn't agree that the forward contract be cancelled. He said that even though there were some discussions with Rational in June 2022, and they agreed to provide a discount on his currency trading going forward, he didn't want them to cancel the forward contract. He said he'd lost Euro79,164 as a result.

Rational said that in the conversations with Mr H, he discussed closing out the forward contract – and he said he would be doing some currency transactions in the future. On 10 October 2022, Mr H agreed there had been a misunderstanding and they provided an amicable solution – which was to lower their fees to 0.5%. Mr H accepted those terms and made a currency deal the same day. Rational refunded Mr H's deposit of Euro 51,961. So – Rational said Mr H didn't suffer any losses.

Mr H brought his complaint to us. Our investigator said Rational could've been clearer in their communications – that the forward contract was to be cancelled. For that he proposed a compensation payment of £200. He said that Rational acted reasonably in cancelling the forward contract – given that Mr H discussed other options and intentions.

Mr H didn't agree and asked that an ombudsman look at his complaint, and so it has come to me to make a final decision. **(continued)**

## 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.

The crux of this complaint is the discussions that took place in June 2022, and I reviewed the emails between Mr H and Rational.

After Mr H called Rational on 15 June 2022, Rational sent him an email which said *"I am following up after our conversation yesterday and your wish to make payments without*

*converting the currency.*

*I also got the backing from my finance department to make these transactions to your account, with reduced fees at 1% instead of the standard 2%. We can therefore cancel the term contract you don't want and transfer the money in euros directly, rather than dollars like initially planned."*

I consider this email says that Mr H had advised Rational that he intended to use his euros to make payments – without converting to USD, and therefore to not use the forward contract. And if he was to do that (make payments with euros), then the forward contract would be cancelled. And Rational agreed to reduce fees for those payments to 1% (later reduced to 0.5%).

On 16 June 2022, Mr H then replied *"Thank you for your gesture, I readily acknowledge that you have made efforts about me. We agree that the 1% will apply to all future transactions in the same currency?"*. So here – Mr H didn't say to either cancel the contract or continue with it.

Mr H then later said (on 6 October 2022 – after he found the forward contract had been closed) *"I believe there was a misunderstanding. I was hoping for a 1% rate on funds on future operations and funds that I have with you, but not on the forward contract. I plan to send several million euros to you in the coming weeks. It was with this in mind that I formulated my request for the 1%. There has been a misunderstanding!"*

Rational replied: *"Sincerely sorry if that was not your intention. The problem being that unfortunately now the forward contract has been cancelled. Can we make an appointment to talk about it and find a solution next Monday?"*

Rational then agreed to reduce their fees to 0.5% for all future transactions. Mr H then made a transaction on 10 October 2022 – at the reduced fee of 0.5%.

Rational believed they'd reached an amicable solution. They accepted there had been a misunderstanding and agreed to reduce fees for Mr H going forward.

There are two sides to this story – I can see how Rational interpreted the call and email on 15-16 June 2022. And therefore - Rational cancelled the forward contract. But equally, Mr H didn't confirm to Rational one way or the other. His email dated 16 June 2022 – didn't say to either maintain the contract or cancel it.

Mr H argues that Rational profited by closing out the forward contract and therefore – that was their motive. But I don't see it like that – there does seem to have been a genuine misunderstanding, as both Mr H and Rational have said. So in those circumstances, I don't think it's fair that Rational should be asked to pay for the losses that Mr H claims.

But – I do agree that Rational's communications could've been clearer in June 2022 – I think it's reasonable that they should've sent a clear email to Mr H to say the contract would be cancelled - and therefore they should pay the recommended compensation of £200.

And – importantly, Rational offered Mr H the same forward contract on 24 April 2023 – they emailed Mr H to say *"You recently expressed the will to benefit from a EUR/USD rate of 1.1049 to buy dollars, in the same way as your previous forward contract. In view of market conditions, we can currently offer you this exchange rate. We remind you that we have already returned to you the deposit of your previous forward contract. Please let us know your position as soon as possible"*.

Rational advised us that Mr H hasn't taken advantage of this offer. But it seems a very fair offer to me. But given the passage of time, and changing market conditions, I doubt the offer will still be available. But if Mr H wishes to see what Rational can now provide – he should contact them.

### **Putting things right**

Rational should pay compensation of £200.

### **My final decision**

I uphold this complaint. Rational Foreign Exchange Limited trading as RationalFX must:

- Pay £200 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 1 December 2023.

Martin Lord  
**Ombudsman**