

## **The complaint**

Mr L complains HSBC UK Bank Plc passed on an exchange rate loss.

## **What happened**

Mr L was making a series of transactions from an HSBC account in Swiss Francs (CHF) to an account in Switzerland. The payments were due to be sent in CHF.

On the second transfer Mr L requested he didn't change the default currency from Sterling (GBP) to CHF. The transfer failed and Mr L made another payment later.

Around two months later Mr L saw HSBC had taken CHF1,253.38 from his account.

Mr L contacted HSBC and was told this was a currency loss on a failed transaction, but this wasn't fully explained. Mr L logged a complaint.

HSBC responded Mr L tried to send GBP from, and to, a CHF account. HSBC said it had to reverse the currency exchange when the payment was cancelled, and this exchange resulted in the loss of CHF1,253.38.

Unhappy with this response Mr L brought his complaint to this service. An investigator looked into things and thought HSBC should have told Mr L about the loss sooner than it did. HSBC had offered £100 to compensate for this, and the investigator thought this was fair.

The investigator didn't think HSBC had made an error in the exchange rate loss, it had to convert CHF to GBP and then back to CHF and this caused a loss. The investigator thought it was fair to hold Mr L liable for this loss.

Mr L replied to the assessment and said he still hadn't been given a proper explanation or shown proof of the loss. Mr L said the investigator had given an exchange rate which resulted in no loss to him, then followed up with a different rate.

Mr L wasn't satisfied the screenshot was enough to prove the rate used. Mr L said there was a 2.5% drop in the rates used by HSBC, but CHF had only fluctuated by around 1%. Mr L feels this could be a penalty from HSBC and not its actual loss.

Mr L also thinks it's unfair for HSBC to wait around two months to apply the loss to his account. Mr L thought it would be fair to only hold him liable for one day of these two months, significantly reducing the loss he incurred.

Mr L asked for an ombudsman to decide things.

## **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.

There's little dispute Mr L tried to send GBP from his CHF account. This wasn't possible, but I think HSBC had already converted the CHF into GBP before it realised this.

Mr L says the successful transfers he made were done quickly, so I'm persuaded the exchange was done at the point Mr L asked HSBC to carry out the transaction.

Once the CHF had been exchanged into GBP it couldn't then be simply paid back to Mr L's CHF account, I think it had to be exchanged back to the right currency.

I don't think HSBC was fundamentally wrong in doing what it did, namely exchanging Mr L's CHF payment to GBP when asked to do so, and then back to CHF to recredit Mr L's account. But I also understand Mr L wants some finer detail as to the actual loss.

I've looked carefully at HSBC's submissions around how it calculated the loss.

HSBC says it carried out the exchange from GBP to CHF on 14 March, a week after Mr L had made the payment.

I've looked at the rates for the two days, when Mr L made the payment and when HSBC reversed the currency exchange, the rate was less than 1% different. I don't think HSBC has profited from delaying the exchange.

HSBC has sent in the rates it used to carry out the transfers (I've used rates to three decimal places for ease). I'm satisfied HSBC has supplied this service with the actual rates it used.

CHF50,000 was exchanged at £1 = CHF1.148, resulting in £43,547.63 being purchased.

CHF50,000 was then purchased at £1 = CHF1.119 resulting in a cost of £44,667.05.

There was a difference of £1,119.42, exchanged to CHF at £1 = CHF1.119, and this was the loss passed to Mr L's CHF account, CHF1,253.38.

HSBC made an error when exchanging the GBP back to CHF, and only purchased CHF25,000 the first time, at a lower rate of 1.109. When HSBC made the second purchase of CHF25,000, it was done at a better rate, 1.119.

Again, I don't think HSBC has unreasonably profited from the exchange, it could have used both rates but instead used the more preferential rate for both exchanges.

Mr L has said the rates didn't move 2.5% at any point, but this difference was debited from his CHF account. But HSBC, like most banks, doesn't use the mid-rate exchange figure. Instead, banks use their own rates, with a margin on the mid-rate.

This margin is generally 3-4%, and this is per exchange. For the transaction Mr L asked HSBC to complete, there were two exchanges, from CHF to GBP and back again, so the margin would have come into play twice.

A loss of 2.5% in total, for the two transactions, seems a reasonable loss. I think the margin HSBC applied is the legitimate cost of the exchanges. It averages out to a 1.25% margin per exchange, less than it generally is.

I don't think HSBC has unreasonably charged Mr L, or unfairly profited from the two

exchanges it made.

But HSBC didn't tell Mr L he'd incurred a loss, and it took almost two months to debit his CHF account. And I can see Mr L didn't get a clear explanation until after the first final response for his complaint.

It's fair HSBC compensates Mr L for this, and I think the £100 it's offered is fair.

Mr L's said since it took 59 days for HSBC to debit his CHF account, he should only pay one 59<sup>th</sup> of the loss. I don't think this is reasonable. Mr L would always have incurred the loss on the exchanges, HSBC taking too long to debit the money doesn't negate this loss.

I think the loss is a reasonable loss, and I think it's fair to pass this onto Mr L.

The time it took HSBC to debit Mr L is something he should be compensated for, but it doesn't affect the reasonable loss he incurred. If Mr L had been debited the same day I'd be saying it's a reasonable loss, I don't think the passage of time makes it unreasonable.

### **My final decision**

My final decision is I uphold this complaint and HSBC UK Bank Plc should pay Mr L £100 to compensate him for the time it took to debit his CHF account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 30 April 2024.

Chris Russ  
**Ombudsman**