

## The complaint

Mr W and Mrs J complain that HSBC UK Bank Plc incorrectly charged them exchange fees of £1,795.84 for a foreign currency transaction. I have just referred to Mr W in this decision.

## What happened

On 23 May 2023, Mr W sent £49,900 to his sister overseas via HSBC's online banking. He said before this he went to HSBC's branch and was advised he can send money in branch or online to a maximum of £50,000, as confirmed by HSBC's website. He said unfortunately, his sister's bank has a different limit, and HSBC advised him wrongly.

On 26 May Mr W said HSBC informed him his sister's bank rejected his payment, and the funds would be returned. Mr W was shocked on 6 June that only £48,104.16 was returned. He called HSBC to request the whole payment, but HSBC said the deduction of £1,795.84 was due to exchange rate movement. Mr W disagreed and complained on 7 June. HSBC responded on 12 June to say it had converted the payment to 60,312.63 US Dollars and after rejection it was converted to UK Sterling at its live rate, and it returned £48,104.16.

Mr W said he didn't ask HSBC to convert the payment to US Dollars and his sister's bank didn't convert the payment, only using US Dollars as a maximum limit reference. He said the only conversion should have been from UK Sterling to his sister's currency, and so any loss was HSBC's responsibility. He said on 8 June he made a payment to another relative in the same country and neither HSBC or the recipient bank converted the payment. Mr W said his relative was allowed by her bank to choose the day of conversion to the local currency and this confirms his payment of £49,900 was never converted. He said banks can't make foreign exchange conversions without the permission or request of their customers.

In its final response to the complaint, HSBC said when making an international payment it advises if the payment is reversed, even if it hasn't debited, and its returned at the exchange rate at the time, with any loss or gain passed to the customer. HSBC said it hadn't made an error with the transaction and wouldn't compensate Mr W for the foreign exchange loss.

Mr W was dissatisfied with HSBC's response and referred his complaint to our service. He requested HSBC refund the £1,795.84 '*erroneously charged*' and compensation for the distress and inconvenience HSBC had caused.

Our investigator didn't recommend the complaint be upheld. She said HSBC acted in line with its terms and conditions, which explain payments will be converted if returned to a customer's account. She said the payment was sent in US Dollars in line with the terms, but was declined by the receiving bank, so it was exchanged back to UK Sterling and returned. She said HSBC had applied exchange rates correctly.

The investigator said Mr W was made aware that if the payment was returned, it would be at the exchange rate at the time, and this is derived from a live market rate, which includes HSBC's retail margin. She said HSBC uses the mid-rate which is the average between the sell and buy rates in line with its terms.

Mr W disagreed and requested an ombudsman review his complaint. He said the transaction didn't involve foreign exchange and there was no exchange on his other payments via HSBC when it sent UK Sterling rather than US Dollars with exchange following an instruction from

the recipient and so HSBC engaged in this without his consent. Mr W said if a bank sells a foreign exchange product, the customer must be able to see what this '*retail margin*' is, and decide if they want to accept. He said HSBC's message, '*the funds will be returned*' proves it knew his payment was by UK Sterling, and so the entire £49,900 should be returned. He said HSBC didn't tell him of the £1,795.84 charge, he found out from the returned payment.

### **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 W has provided a lot of detail and thoughts about his foreign currency transaction, I hope he doesn't consider it a discourtesy that I have summarised his comments in this decision.

Mr W said an internet search shows that bank accounts in the recipient's country can receive a maximum of 50,000 US Dollars not £50,000 and that's why the transaction was rejected. He concluded that as the transaction would be automatically rejected HSBC had provided the wrong advice and made a system error.

Mr W said that before this payment, he made others to the same bank account, which stayed there as UK Sterling until converted by the recipient. He said the other three payments he made (below the limit of 50,000 US Dollars), were successfully transferred and sat in the recipient's bank account as UK Sterling.

The text from HSBC to Mr W on 26 May 2023 informs him that his transaction has been rejected by the payee's bank. It says the funds will be returned to him, but not the amount. I've seen other messages Mr W has sent concerning other payments that were completed.

Having looked at all of the available information about the transaction, I don't think HSBC gave Mr W the wrong advice. I haven't seen a record of his conversation in branch, but I don't think this would have differed much from the information available on HSBC's online banking. HSBC's terms and conditions state that £50,000 is the maximum international payment limit. This is correct, and HSBC hasn't advised what the payment limit of an overseas bank might be. HSBC said, '*We are unaware of any limits of transferring funds to [the country in question] and cust would need to be made aware by the beneficiary before hand*'.

Each country and overseas bank is entitled to set its own limit for transactions for its own nationals and it's not for HSBC to guide or attempt to influence this. It was open to Mr W to find out from his sister what her bank's payment limit was, as he did after the transaction was rejected. HSBC's role is to carry out customers' instructions with regard to payments with reasonable skill and care. I haven't found that HSBC acted in error here.

Mr W said he wasn't asked to agree that his payment would be converted to US Dollars, and asked why HSBC had done this. He said he's shown that the recipient's bank receives UK Sterling, not US Dollars.

I asked HSBC for confirmation that Mr W had accepted his funds would be converted into US Dollars. HSBC responded to say, '*We didn't choose to convert to US Dollars. Payments can be sent via almost all currencies. The customer selected US Dollars*'. And further, '*the customer physically accepted the FX deal before the payment went through*'. In support of this, HSBC has provided Mr W's 'Transaction Details' (see attachment to our cover letter). This shows Mr W's instruction for the transfer including the currency conversion to US Dollars at the rate applicable for 23 May 2023, and the destination as, '*To my sister*'.

On 23 May 2023 HSBC sent Mr W, 'ADVICE OF DEBIT' which shows his payment was converted to US Dollars and that his payment of £49,900 would be exchanged at a rate of 1.20867 US Dollars, providing a total of 60,312.63 US Dollars. These documents give a clear indication that the transfer HSBC carried out was instructed by Mr W with payment subject to conversion to US Dollars at the rate of exchange shown. I've seen similar evidence for the return of Mr W's payment which shows an exchange back to UK Sterling at the rate relevant to 2 June 2023.

Mr W said that at no point was he warned there could be a large penalty for the payment not going through. He said no foreign exchange should have taken place, and in any event this isn't HSBC's standard practice. I don't think Mr W paid a 'penalty', he lost out through the movement of the exchange rate. It is HSBC's policy is to convert payments and re-convert when returning them to the customer. HSBC has said it treats overseas transfers according to its policies. I haven't seen enough detail to show me that Mr W's other payments have been treated differently from the payment that is subject of this complaint.

To re-convert payments HSBC uses its 'Live rate' at the time and says customers are made aware when making payments that, *'if the payment is reversed for any reason, even if it hasn't debited, it will be returned to your account with the exchange rate at the time. If this is different to the original rate, any loss or gain will be passed onto you. If it's returned by the beneficiary bank for any reason, the amount may be different to the amount you sent, due to fees or changes in the exchange rate'*.

Mr W said the exchange rate can go both ways and had HSBC made money from this he wondered if it would have paid this to him. HSBC has said that a rejected payment, *'is returned at the exchange rate at the time, with any loss or gain passed to the customer'*. I'm not aware of any complaints about HSBC not paying a customer a foreign exchange increase that would add to the returned payment. I sympathise with Mr W for his loss on the foreign exchange, but I haven't found an error by HSBC that would cause me to think it fair to hold HSBC responsible for the loss on his transaction.

HSBC explained exchange rate pricing as derived from a live interbank market rate, with a retail margin applied. HSBC said it uses the mid-rate which is the average between the sell and buy rates plus its margin. HSBC margins are its internal policy and aren't disclosed to customers. The rate provided for a conversion is inclusive of HSBC's retail margin. I haven't found HSBC's approach to exchange rates to differ much from other banks or that it has treated Mr W from any other customers. The rate pricing is in line with the regulations and HSBC is entitled not to disclose commercially sensitive information.

Mr W has said that under FCA principles, banks must *'pay due regard to the interests of its customers and treat them fairly'*. This is correct, but I disagree HSBC failed in this regard or that it has treated him unfairly. I think HSBC has given a reasonable explanation as to why Mr W's payment was exchanged from UK Sterling into US Dollars, and I have seen that it handled the transaction in accordance with its terms and conditions. It follows that I disagree with Mr W's contention that HSBC did not act with reasonable skill and care when processing his payment and I can't require HSBC to take any action concerning the loss that Mr W sustained on the transaction.

Mr W has indicated that he will take legal action if his complaint is not upheld. I realise that my decision is not the answer that he wanted, but by rejecting this decision other options including legal action remain open to him.

### **My final decision**

For the reasons I have given it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs J to

accept or reject my decision before 21 March 2024.

Andrew Fraser  
**Ombudsman**