

The complaint

Mr S complains that HSBC UK Bank Plc converted an incoming foreign currency payment into sterling, causing him to lose out on the exchange rate.

What happened

Mr S held a Global Money Account (GMA) with HSBC, which he opened in December 2022. He was expecting a large payment of around €278,200 and so opened the account in order to receive it. But when the payment was made to his GMA on 25 May 2023, he found it had been automatically converted from euros to sterling, giving him around £238,300.

Mr S contacted HSBC to query what had happened. He was told that payments sent by third parties in currencies other than sterling were converted to sterling when received into a GMA.

HSBC explained that if a customer had a HSBC Currency Account (HCA) they could receive currency into the HCA, then move it to the GMA without it being converted. HSBC said it was working on making it possible to receive currency from third parties in the future.

HSBC said this was explained in the terms and conditions for the account. But Mr S wasn't happy with HSBC's response and so brought his complaint to our service.

He told us he didn't think the terms relating to incoming payments were prominent enough. He'd opened the account based on marketing information he'd received from HSBC, and he hadn't seen it mentioned that foreign currency payments would be converted to sterling. He said this automatic conversion defeated the object of this kind of account.

Mr S sent us quotes from other providers dated shortly after the transfer. He said the sterling equivalent he would have received ranged from around £2,355 to around £4,706 more than he received from HSBC. And, because of this, he felt he'd lost out by choosing to have the money sent to his GMA.

He said he'd asked people he knew who had worked for HSBC whether they were aware the account operated in this way – but they weren't. And so he questioned how a bank's customer – like himself – could have understood how the product worked if the staff themselves didn't.

Our Investigator didn't uphold the complaint. They pointed to the terms that Mr S would have seen when opening the account. The Investigator believed the terms clearly explained the situations in which non-sterling payments would be converted. They looked at archived pages from HSBC's website which would have been visible when the account was opened and noted it mentioned that a customer could only receive foreign currency into a GMA from a HSBC account held in their own name.

The Investigator also thought about Mr S' comments around staff being unaware of the terms of the GMA but said this was something our service wouldn't generally take into account when deciding whether a bank had made their terms and conditions clear to their

customers.

Overall, whilst the Investigator acknowledged Mr S' unhappiness with the situation, and his belief that he could have achieved a better exchange rate elsewhere, they didn't think HSBC had done anything wrong.

Mr S disagreed with the Investigator's findings. He wanted the flexibility of converting the funds as and when it was beneficial. He believed HSBC hadn't been clear in its terms around the account's features, and that he'd lost out as a result.

Mr S asked for an Ombudsman's decision and so the case was passed to me to decide. I issued a provisional decision on the matter. It said:

Whilst consumers are expected to make use of a product's terms to understand its features and limitations, decisions to open and use products are often made based on the sum of marketing literature, interactions with staff, and the terms. Mr S has confirmed this was the case in his decision to open and use a GMA.

The welcome letter Mr S received upon account opening gives a list of account benefits. One such benefit is: 'Fee-free account – hold and convert money in multiple currencies'. The asterisk corresponding to the one above can be found at the end of the letter, and states: 'Local and cash machine fee's [sic] may apply'. Nowhere in this document is it explained or implied that accounts can only hold or receive currency without automatic conversion in certain situations.*

Mr S has said that automatically converting currency upon receipt defeats the purpose of a currency account, and I'm inclined to empathise with his position. HSBC has already indicated its awareness of its customers requiring this feature by the wording in its initial response to Mr S where it said: 'Our Global Money Team are working on making it possible to receive currency from third parties in the future.'

And, as the first feature listed on its welcome letter relates to holding different currencies, I think HSBC would have been aware that this was a key requirement of its product. So, by not clearly or prominently displaying this limitation, given that it's often an expected and core feature of similar accounts, I think HSBC placed Mr S in a position where he couldn't reasonably have been expected to know the GMA didn't work in the way he intended.

But I've also thought about the terms and conditions Mr S would have been presented with at sale and in his welcome pack. They state:

'Where the money you pay in is not in GBP, what we do depends on if you have a currency balance in that currency. If you do, we'll pay it into that currency balance. If you don't, we'll convert it using the HSBC Global Money Exchange Rate and pay it into your GBP currency balance. Once the money's converted, you can use it straight away or if it's from another bank – right after we receive it.'

HSBC believes these terms are clear. And, with hindsight, Mr S may now be able to point to where this significant limitation to the GMA is contained within the terms and conditions. But Mr S didn't have, and couldn't reasonably have had, the awareness of the account's features and limitations that he does now. Keeping that in mind, I don't think these terms do enough to make it clear and prominent that the account converts euros sent from accounts outside of HSBC UK to sterling immediately and automatically upon receipt. Had HSBC wished to convey this to its customers, especially on such a crucial feature of the product, I would have expected it to have done so with more clarity and prominence.

Mr S has told our service that, had he known the GMA converted euros into sterling, he would likely have left the euros in his foreign bank account. Mr S said he wanted the flexibility to convert the funds when required, dependant on the rate given at the time. He wanted to be able to make an informed decision on whether it was worthwhile paying off a mortgage held abroad in euros, or to have settled existing lending in the UK. Instead, he says, he used the funds to repay his lending in the UK, incurring early repayment fees, rather than convert the funds back to euros – as he says he was concerned he'd incur another cost to convert his money back.

The alternative quotes Mr S has given us from around the time of transfer show the rate he would have received had he opted to use those providers instead. He believes these rates give an indication of his loss. As mentioned already, the difference ranges from around £2,355 and around £4,706 more than he received from HSBC.

I've asked HSBC what rate Mr S would have received at the time had he immediately transferred the funds back into euros upon receipt. HSBC no longer has this information, and it doesn't appear this was explored. From the information I've been given, Mr S contacted HSBC soon after the payment was made to query what had happened. I'd have expected HSBC to have offered an exchange back into euros as a resolution, but I have no evidence to show this option was given.

Mr S received the sterling equivalent of the euro amount at that time. But this is not what he wanted or expected to happen. The extent of the loss he has suffered as a result very much depends on what he would most likely have chosen to do had he understood how the GMA account was going to work. From what he's told our service, he would either have chosen to keep the funds in euros, therefore incurring no immediate loss in rate, or he would have opted to exchange some, or all, of the funds – in which case, I'm persuaded he would have used a different provider, at a more favourable rate than he received from HSBC. On balance, as his main intention for the GMA was to keep the funds as euros, I'm persuaded it's more likely than not that he wouldn't have used the GMA had he understood how it worked, and would have chosen to keep the funds in euros.

But, when coming to decide how to put Mr S back in the position he would have been in, I'm mindful that it's no longer possible to convert the full sum back to euros. Because of this, I'm currently of the opinion that the fairest approach in the circumstances is to direct HSBC to pay £3,530 – the difference between the sterling amount Mr S received from his GMA and the average of the rates quoted by different providers from directly after the date of transfer. In the circumstances, I'd also expect HSBC to include 8% simple interest on this amount from the date of transfer until the date of settlement.

Mr S accepted my provisional decision. HSBC responded with further points:

- Mr S doesn't appear to have questioned the account's features prior to application. Had he called HSBC's telephone banking team, the relevant information would have been provided.
- At account opening, customers are advised they can send, convert and hold money in multiple currencies. They are not told they can also receive money in multiple currencies.
- Customers are prompted to read the terms and conditions. The terms clearly state, 'From any HSBC UK account in another person's name or any account outside HSBC UK in a foreign currency...' the funds can be used 'Right after we convert the money to GBP using the Exchange Rate at the time we receive it.'
- The Global Money team working to make the GMA receive currency from third parties in future doesn't mean the account isn't fit for purpose, only that HSBC is continuously reviewing its products.

- HSBC shouldn't be penalised for customers opening accounts which they later feel were not fit for their needs. Alternative options are available, and customers can always contact HSBC to discuss their needs in order to make informed decisions.
- Different accounts have different key features and facilities, but this doesn't mean the account isn't suitable for a customer, or that it doesn't have key requirements – every customer has different needs and different products could meet those needs in specific situations.

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.

Having done so, whilst I take on board HSBC's comments, I see no reason to depart from the findings in my provisional decision.

As set out in my provisional decision, Mr S expected the GMA to hold different currencies without automatically converting them and I'm not persuaded HSBC made it clear this wasn't the case. Indeed, the GMA *can* hold different currencies, but only in specific circumstances – one of which being when funds are routed through a different type of HSBC account. It's my opinion that the terms in place at the time of sale didn't make this sufficiently clear, especially when considered alongside the other literature mentioned in my provisional decision. Nor do the terms HSBC provided in response to my provisional decision, mentioned above, which came into force after the sale, but prior to the transaction being made.

For broadly the same reasons set out in my provisional decision, these terms didn't do enough to highlight the absence of a reasonable expectation of the product Mr S was using. As with the terms in place at the time of sale, Mr S may *now* be able to point to where the terms mention what I consider to be a limitation of the GMA. But neither set of terms do enough to place sufficient prominence on this limitation in a way that can be clearly understood by a typical customer such as Mr S, without the benefit of hindsight.

As a result, it's still my opinion that Mr S would have had no reason prior to application to check the GMA's features with HSBC's staff – telephone banking or branch. Indeed, Mr S has told our service – and I have no reason to doubt him – that he later asked branch staff if they were aware of the GMA's limitation and was surprised to find they were not.

HSBC is concerned it's being penalised for Mr S opening an account which he later found out didn't meet his needs. Whilst I acknowledge these concerns, it isn't my intention to punish. As mentioned, Mr S couldn't reasonably have known the account didn't operate in the way he expected prior to him making use of it. This is a failing of HSBC's, and so my intention here is to direct HSBC to place Mr S back in the position he would have been in had the failing not occurred. As mentioned in my provisional decision, HSBC had the opportunity to correct the issue when Mr S contacted it shortly after the transfer was made, but this wasn't done.

HSBC had several opportunities to add clarity to the GMA's function. One of which, as mentioned by HSBC, was at account opening. HSBC has pointed out that customers are advised they can send, convert and hold money in multiple currencies. But they are not told they can also receive money in multiple currencies. Unfortunately for Mr S, neither are customers explicitly told that currency is automatically converted once it is received into the account.

I fully accept that different accounts have different functions and improvements to an

account doesn't necessarily mean it is faulty or not fit for purpose. But the issue remains that GMA's functionality wasn't made clear enough to Mr S. And, had HSBC done more here, I think it's more likely than not that matters would have unfolded differently.

My final decision

My final decision is I direct HSBC UK Bank Plc to pay Mr S £3,530 plus 8% simple interest from the date the funds were transferred – 25 May 2023 – until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 September 2024.

James Akehurst
Ombudsman