

The complaint

Mr B complains about the rate he received from The Co-operative Bank Plc for foreign currency payments made into his current account.

What happened

During February and March 2023, Mr B received six payments from a German account. The payments were all sent in euros and converted to sterling once they were received by Co-op Bank, the provider of Mr B's personal current account.

Mr B was unhappy with the rate Co-op Bank used to convert the euros to sterling. He said he looked up the 'real exchange rates' as a comparison and they were much better than those provided by Co-op Bank. He subsequently complained to Co-op Bank that its rates were unfairly low. Mr B said he suspected Co-op Bank was either using its rates to hide fees or was profiting from the poor exchange rate it gave customers.

Co-op Bank didn't uphold the complaint. It told Mr B that there were no fees charged for incoming payments. It explained that exchange rates fluctuate, and that it uses the rate applicable at the time the payments are processed. Mr B was unhappy with this and so he brought his complaint to our service. He said he still believed Co-op Bank was hiding charges and that there was a general lack of transparency from the bank.

Our investigator reiterated what Co-op Bank had told us about its rates; that it compares itself against the competitor market when setting rates, and that its rates are ultimately a commercial decision which it's entitled to make. The investigator thought that was fair. He also referred to letters Mr B received from the bank which detailed the rates which applied to each payment. The investigator highlighted that there were no charges present on the letters in relation to the conversion of the payments.

Our investigator also said that, due to the fluctuating nature of exchange rates, it was reasonable that the bank didn't include its rates on its website. And he thought it fair that the account's terms and conditions tell customers to contact the bank directly for its standard exchange rates. He also mentioned that Co-op Bank's rates included a margin of 4%, though didn't specifically comment on the fairness of this.

Mr B didn't accept the investigator's view. He wanted clarity on the time Co-op Bank received each of the payments, and whether it had truly applied the rate applicable at the time, or whether it waited for a rate which was more favourable to it. He asked for an ombudsman's decision.

While his complaint was still with us, Mr B made a second complaint to Co-op Bank. He was unhappy that his initial complaint had been marked as 'resolved' by the complaint handler without his consent, and that he'd had no option to escalate his concerns within Co-op Bank. Co-op Bank didn't uphold this element of his complaint, but awarded him £50 for giving the wrong timescales for its response, and for sending its response later than it should have.

Our investigator didn't look into this element of Mr B's overall complaint, but as Co-op has

provided its final response on the matter, and the issues are linked, I've included it within my decision.

I issued my provisional decision on this complaint. it said:

I've thought about Mr B's concerns around the timing of the payments. To help me understand Co-op Bank's process for applying rates, it has explained that Mr B's payments were given the rate that applied at the time of processing, and that rates change throughout the day. It has said that none of the payments were manually entered and so would have automatically attracted whichever rate was live at the time of processing.

For example, Co-op Bank has said the payment Mr B received on 14 February 2023 came in at around 09:35 and was processed at 09:37. The rate that was applied was 1.1762. This is the rate that was applicable between 08:30 and 11:00. Co-op Bank has shown me that, had the payment been received after 11:00, it would have attracted a different rate. And had it been received after 14:00, a third rate would have applied.

Having reviewed all of the rates from across the days of Mr B's payments, it doesn't appear Co-op Bank has been selectively applying the rate Mr B received.

Based on this, I don't think Mr B needs to be concerned about Co-op Bank purposely choosing the worst rate from the day as I'm satisfied this isn't the case.

I've thought about the fairness of the rates themselves. To help with this, I've looked at the terms and conditions applicable to Mr B's account – a personal current account. They state:

'If we receive money for your account in a foreign currency, we'll convert it to sterling using the standard rate of exchange and deduct any charges before adding it to your account.'

I've also looked at the leaflet which details the account's charges. it states:

'Receiving money from overseas in sterling or foreign currency (we will use our standard rate of exchange. Please contact us for further information).'

It goes on to explain that payments equivalent to more than 100 Euros don't attract any charges.

Co-op Bank has confirmed the rate it applied to the foreign payments received into Mr B's account carried a 4% margin. This margin is set out in its terms relating to payments made into business current accounts. The margin is also explained in its terms relating to payments made from personal current accounts. But neither its charges leaflet nor its terms and conditions mention a 4% margin applying to foreign currency payments made into personal current accounts – as was the case in Mr B's situation.

I'd usually be inclined to say a business can exercise commercial discretion over the rates it charges its customers. With that said, so that Mr B could make an informed decision, I'd expect information about any charges or fees to be made available by Co-op Bank at the right time, and in a format that's clear and understandable.

I don't think enough information was presented to Mr B in order for him to know, or have reason to know, a 4% margin would apply to the payments he received. Mr B didn't call Co-op Bank to find out what rate would apply, but as the 4% margin hadn't been mentioned in the literature relating to his account, I don't necessarily think he had reason to. So I don't think Co-op Bank drew sufficient attention to what is essentially an additional charge –

particularly as the charges leaflet indicates Mr B's payment would have been 'free'.

One of Mr B's main concerns centres around a belief that Co-op Bank's rates contain hidden charges. And based on what I've explained above, I can't fairly say the 4% margin doesn't constitute a hidden charge. But my considerations can't stop there. In order to fairly decide this complaint, I must also think about what would have happened, had Co-op Bank drawn sufficient attention to this margin.

Mr B has said that, whilst he had use of a business account, it couldn't be used for personal transfers. He said that because the payments were required as a matter of urgency, he didn't want to complicate or delay the transfer by asking the sender to convert the payments prior to making them. Mr B has told me he had no option to choose another account.

Whilst I fully appreciate Mr B's strength of feeling, the information above leads me to believe it's more likely than not that he would have gone ahead with the payments – even if he'd known a 4% margin would be applied. So I don't think things would have been any different, had there been better information relating to the margin. Because of this, I won't be asking Co-op Bank to do anything to compensate Mr B on this point.

Finally, I've thought about the way in which Co-op Bank initially handled Mr B's concerns as part of its complaints process. I can see that, following Mr B's first call to Co-op Bank, the bank considered the matter resolved and issued a summary resolution communication. I can understand why Mr B is unhappy with this. From listening to this call, I don't think it sounded like he considered the matter resolved.

As mentioned, Mr B followed this up with Co-op Bank and received a further response. Co-op Bank accepted the wrong timescales for its response had been given, and that the response itself was sent later than it should have been. It gave Mr B £50 to say sorry for this.

These issues amount to what is essentially complaint handling, and this is something I can't award compensation for in isolation. But having thought about the issues surrounding Co-op Bank's handling of his concerns, whilst I appreciate Mr B's frustration, I don't think the issues prevented or delayed the investigation or resolution of his concerns relating to the rates he received. Mr B was able to bring the complaint to our service for consideration – and did. And so even if I were able to award compensation on this point, I don't think anything else is warranted.

Both parties have responded to my provisional decision. Co-op Bank has said it is happy with what I've said. Mr B has provided some additional comments. In summary, Mr B still felt there was a lack of transparency by Co-op Bank. He said the transfers he received always seemed to happen at the worst time for him. He concluded by saying it would be fair for banks to change their policies by applying the best rate of the day to incoming transfers.

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, I see no reason to depart from the findings in my provisional decision. I realise this will be disappointing for Mr B so I've explained why below.

Mr B has asked about the timings of the payments and has said the sender usually made the transactions in the evening. This has led Mr B to again question Co-op Bank's transparency and whether it chose to apply the worst rate from the day. My provisional decision gave reasons as to why I'm satisfied this wasn't the case. As I've not seen anything to dissuade

me from this view, I don't feel this point needs to be revisited here.

Mr B has also asked if our Service can help make banks change their policies so that consumers are offered the best rate from the day the payment is made. I appreciate Mr B's sentiments in this regard, but my role here is to decide his individual complaint. As such, neither I nor our Service is able to regulate the wider currency exchange market, so I'm unable to help him on this point.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 20 March 2024.

James Akehurst
Ombudsman