

The complaint

Mr M complains about the foreign exchange rate that The Co-operative Bank Plc (The Co-op) used to transfer pounds sterling (GBP) from his account in the UK to an account overseas.

What happened

In January 2023, Mr M asked The Co-op to send 10,000 GBP to an account in South Africa. The Co-op told Mr M that the current exchange rate was 20.46 South African Rand (ZAR) to 1 GBP so he expected to receive 204,600 ZAR.

Mr M was unhappy that the transfer took longer than expected but his main concern was that he received less money than expected. After Mr M complained, The Co-op said that although it quoted an exchange rate of 20.46 ZAR during the call, by the time it actioned the transfer, the exchange rate had changed.

The Co-op agreed that it did not return Mr M's call about the delay in carrying out the transfer and for this, it offered £30 compensation.

An investigator with the Financial Ombudsman considered Mr M's complaint. He thought The Co-op had acted in line with its exchange rate terms and had told Mr M during the initial call that the rates may change.

Our investigator said that the exchange rate The Co-op uses is based on the current market rate and that it includes a margin of 4% as referred to on its website. So, he didn't think The Co-op made a mistake.

Mr M remained unhappy with the investigation outcome. He could not understand why the rate The Co-op used to carry out the transfer was worse than the one it had quoted to him as in the meantime, the exchange rate had improved.

After considering everything I thought Mr M's complaint should be upheld, so I issued a provisional decision on 9 April 2024 which said:

As Mr M is less concerned with the delays in carrying out the transfer, my provisional decision deals with the exchange rate. I hope that Mr M won't take this as a discourtesy – I just want to focus on what I consider to be the key issue left to decide.

I have listened to the recording of the call Mr M had with The Co-op to arrange the transfer. I can hear that The Co-op quoted a current exchange rate of 20.46 ZAR to 1 GBP. So, I can understand why Mr M expected to receive the equivalent sum in ZAR. I accept that The Co-op also told Mr M that the rate might change by the time the transfer was keyed. However, ZAR had weakened against GBP by the time the transfer was keyed. This meant that the Bank of England database showed an exchange rate of nearer 21.20 ZAR to 1 GBP. So, I can see why Mr M was unhappy that the rate The Co-op used to key the transfer was less than it had quoted a few days earlier.

The Co-op has supplied further information about how it sets exchange rates – some of which is commercially sensitive. The Co-op has explained that the exchange rate of 20.46 ZAR it referred to during the call with Mr M, was the spot rate at that particular time. However, if The Co-op had keyed the exchange rate at the same time – it would have applied a lower rate to the ZAR transfer. My understanding is that this is due to the 4% margin that The Co-operative includes when it converts currency using its standard exchange rate.

The Co-op's website refers to the 4% margin but Mr M requested the transfer over the phone. Although The Co-op told Mr M about the charges it would apply to the transaction, it didn't mention the margin during the call. Mr M says he was not aware of the margin and I have no reason to doubt what he says.

Mr M says the rate that The Co-op gave of 20.46 ZAR to 1 GBP was broadly in line with what other banks were offering. Mr M says if The Co-op had told him about the margin during the call, he would not have gone ahead with the transfer. Again, I think it's entirely possible that Mr M would have made alternative arrangements to transfer the money abroad had The Co-op told him about the 4% margin.

Mr M says that he understood that the rate could vary depending on currency market movements but as the ZAR was weak and unlikely to strengthen against GBP, he didn't expect to receive less than 204,600 ZAR. So, I can appreciate Mr M's concern when The Co-op instead sent 198,980 ZAR.

The Co-op has since explained to us that the rate of 19.898 ZAR that it used to make the transfer was more favourable than its' standard exchange rate on the day Mr M called to request the transfer. This is because the spot rate had improved and therefore The Co-op's standard exchange rate – including the 4% margin - was higher. But I don't think this detracts from the fact that, based on the call Mr M had with The Co-op and his knowledge of the weakness of the ZAR, it was reasonable for him to expect the rate to be at least 20.46 ZAR to 1 GBP.

In cases where I decide that a business has acted unfairly, I look to put the consumer back in the position they would have been if the mistake had not happened. As I intend upholding Mr M's complaint, I think The Co-op should make up the difference between the amount he received in ZAR and the amount he expected to receive. The Co-op should also pay interest on the difference.

I am satisfied that Mr M received misleading information from The Co-op that caused distress and inconvenience and has generated significant correspondence as a result. So, I consider it fair to make an award of compensation on top of the refund. I think £200 fairly reflects the worry and inconvenience caused to Mr M. This does not include the £30 The Co-op has already offered Mr M for the delay responding to his calls. So, if he accepts my decision, The Co-op would need to pay a total of £230 compensation from which it can deduct any compensation already paid.

When responding to my provisional decision, it would be helpful if Mr M could say how he'd prefer to receive the difference in amount expected and amount received i.e. in ZAR or the equivalent amount in GBP. The Co-op will then need to agree with Mr M how to pay the compensation.

I then set out how The Co-op should put things right.

Further submissions

Mr M accepted my provisional decision and asked that all payments be made in GBP. The Co-op didn't respond to my provisional decision.

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.

As Mr M accepts my provisional findings and as The Co-op has not responded, I consider it fair to make my final decision along the same lines as my provisional decision.

Putting things right

To put things right, The Co-op should:

- Pay Mr M an amount in GBP equivalent to the difference between the amount he expected to receive - 204,600 ZAR and the amount he actually received - 198,980 ZAR
- Pay simple interest on the above sum at the rate of 8% a year from the date The Co-op converted GBP into ZAR until the date of settlement*
- Pay Mr M £230 compensation from which it can deduct any compensation already paid

*HM Revenue & Customs requires The Co-op to deduct tax from any award of interest. It must give Mr M a certificate showing how much tax has been taken off if he asks for one.

My final decision

My final decision is that I uphold this complaint. In full and final settlement, I require The Co-operative Bank Plc to put things right in line with my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 June 2024.

Gemma Bowen
Ombudsman