

The complaint

Mr N complains that HSBC Bank UK Plc provided less UK Sterling on a foreign currency transaction than he was quoted when he contacted HSBC in advance.

What happened

Mr N needed to transfer a large amount of foreign currency to his HSBC account from an account abroad. He called HSBC on 18 April 2024 for details of the costs and obtained a quote. He said this was a favourable rate, so he instructed the exchange through HSBC.

Mr N said on 22 April 2024 the exchange was noted though he assumed it went through on 18 April. However, the amount for UK Sterling was well below what he had expected, and he complained to HSBC. Mr N said HSBC told him its member of staff shouldn't have given him a quote in respect of his incoming payment. Through this quote, Mr N said he chose HSBC for the transfer. Mr N said HSBC offered £900 payment as an apology, which he accepted.

Mr N said the exchange rate wasn't from the 18 April, but from 22 April, which was more favourable to him, but meant HSBC's charges had also increased and the £900 offered by HSBC was well below the amount he should have received.

In response to Mr N's complaint HSBC said it received his payment of foreign currency on 22 April, and exchanged it at that day's rate. HSBC said all transactions are priced using a live mid-rate, to which it adds its retail margin. HSBC said there may be more favourable rates elsewhere, but as it doesn't use the market rate that wouldn't apply to its transactions.

HSBC said the rate applied to Mr N's transaction was the best rate it could provide at the time, but it should have told him that it doesn't provide exchange rates for incoming payments. HSBC apologised and said its offer consisted of £300 compensation and £600 as a gesture towards the exchange rate loss, which it said was fair.

Mr N wasn't happy with this response and referred his complaint to our service. He said HSBC hadn't explained the computation of the transfer, or the currency and the amount sent. He said this must be to hide HSBC's margin on which it added 1.723% or £2,359 for the bank and he was still £766 out of pocket.

Our investigator didn't recommend the complaint be upheld. She said we can't look at the legitimate exercise of a bank's commercial judgement - such as setting of exchange rates. And quotes provided are often only indicative and subject to fluctuation. She said there's no single exchange rate for a currency that all banks must apply. HSBC is entitled to set its own fluctuating exchange rate for each currency based on various market considerations.

The investigator said Mr N had the opportunity to establish the rate of his transfer, and could have looked for a better rate. And, although rates may change, HSBC had not misled Mr N. The investigator said HSBC acted in line with the terms of the account and doesn't have to share detailed calculations about the rates they use with customers as that is commercially sensitive information.

The investigator listened to Mr N's call on 18 April and said HSBC's adviser made him aware the exchange rate can fluctuate and gave him the correct rate at that exact moment. She said this would have meant that he would have received £137,629.08, however when the funds were transacted on 22 April, he received £136,823.58 - a difference of £805.50. She

said HSBC's compensation was more than the difference in the exchange rates and more than she would have recommended, as HSBC hadn't made an error in its exchange rate.

Mr N disagreed with the investigator and requested an ombudsman review his complaint. He said she had ignored the date of the exchange and reiterated that he acted on a favourable quote from HSBC on 18 April, but it failed to pay the rate offered. He said he subsequently discovered that the exchange was on 22 April when his overseas currency had increased against UK Sterling, and he referred to the international exchange rate for these dates.

Mr N said the £900 refund was based on 18 April figures, not 22 April figures. HSBC failed to carry out the exchange rate quoted on 18 April. They quoted a figure for their calculation, but instead of the agreed figure, they used an inflated amount for the computation.

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 N is unhappy with the exchange rate he received on an international transfer from HSBC, and he doesn't think it applied the correct exchange rate. In considering Mr N's complaint I have taken into account his point that it was due to HSBC's favourable quotation, that he decided to offer the exchange to the HSBC. He said HSBC failed to do what it said, and that is why it refunded part of the exchange rate.

Mr N obtained a quote from HSBC four days before the payment of foreign currency arrived in his HSBC bank account. The unpredictability of when a payment outside of HSBC's control will be deposited with the bank and the conversion rate that might apply at that point, is the reason why HSBC's policy is not to offer a quote as to the rate that it will apply to the transaction.

Unfortunately, HSBC's member of staff went against HSBC's policy about rate quotes and provided Mr N with a quote on 18 April, four days before the transaction completed. No doubt this was an attempt to assist Mr N and HSBC's member of staff advised Mr N that the exchange rate for his transaction may fluctuate. The quoted exchange rate would have provided £137,629.08 on 18 April, whereas on 22 April Mr N received £136,823.58. HSBC has reimbursed Mr N £900 to cover the difference in the rates, but he feels that HSBC has cost him £766 as the calculation given on 18 April was inaccurate.

Any exchange rate is open to fluctuation and can only be indicative, and HSBC explained this to Mr N. As Mr N's funds weren't received until later, a different exchange rate was applied, which was the correct, current rate at that time.

There is no single exchange rate for a currency that all banks must track or apply and banks are free to set their own rates. And so HSBC has acted fairly in applying its own rate rather than the international exchange rate to which Mr N has referred.

HSBC said all transactions are priced using a live mid-rate and explained that the difference between the buy and sell rates are not advertised to customers, but includes its costs, and charges to which it adds its retail margin. Banks don't have to provide customers with calculations of the margins they apply as this is considered to be commercially sensitive information, but they are included within the exchange rate that HSBC advertises.

I have looked at the terms and conditions of Mr N's account and I am satisfied that HSBC has acted in accordance with these by applying its correct rate available at the time the funds were transacted into Mr N's account. HSBC said this was the best rate it had available to Mr N on 22 April.

'The HSBC Exchange Rate and the HSBC Global Transfers Exchange Rate are based on the foreign currency market for each currency we offer. You can get details of these rates by

contacting us. We can change these straight away. We don't give any notice before we change them.'

Having considered Mr N's currency transaction in detail I haven't found that HSBC acted in error, nor did it tell him that its exchange rate wasn't indicative and could fluctuate. I agree with the investigator that HSBC has applied its exchange rate, which is what the terms and conditions of the account say it will do and that any previous and outdated quote of a potential exchange rate was not binding upon HSBC.

By way of compensation for its error in providing rate advice before the transaction completed, HSBC paid Mr N more than the difference in the exchange rates. I think this was a very fair offer in resolution of Mr N's complaint and I cannot reasonably require it to do anything further.

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 N to accept or reject my decision before 2 December 2024.

Andrew Fraser
Ombudsman