

The complaint

Mr F and Mrs P complain that HSBC UK Bank Plc misadvised them about the exchange rate that would apply when making an international payment, resulting in a financial loss.

Mr F had the key interactions with the bank and he has taken the lead on the complaint, so I'll mostly refer to him throughout my decision. I intend no discourtesy to Mrs P by taking this approach.

What happened

On Sunday 6 October 2024, Mr F used HSBC's telephone banking service to arrange a transfer of euros to his account held abroad. Mr F explains that he asked the bank's employee if he would receive "*market exchange rate*" and whether HSBC would take any commission, costs or charges for the transaction. Mr F recalls he was told that he would receive the market rate and there would be no charges.

The transfer was made on Monday 7 October 2024. Mr F says he received a significantly worse exchange rate than what he had been led to believe he would obtain, and that the transfer was not executed timely on that day, causing him to incur a loss of around £22,000.

Mr F contacted HSBC and provided details of exchange rates that other financial service providers were offering at this time. HSBC looked into the matter. It concluded the exchange rate it applied was correct, although acknowledged that things could have been explained clearer than they were. In its final response letter, HSBC highlighted that Mr F was aware of the rate being applied as the rate had been determined when the payment was input. The bank offered Mr F £350 compensation to acknowledge the level of service provided by its employee when the transfer was arranged had been poor, but did not agree Mr F had incurred a financial loss.

Unhappy with the bank's position, Mr F referred the matter to this service. Our Investigator looked into the complaint and concluded that HSBC's offer of £350 compensation for the service it had provided during the phone call was fair. She said the transaction was completed at the exchange rate confirmed on 6 October 2024. She listened to the call recording of Mr F's conversation with the bank's employee and felt that Mr F had ultimately decided to go ahead with the transfer at the rate the bank had told him.

Mr F didn't agree. He felt the bank's employee had misled him on the phone which resulted in him effectively being charged a hidden cost. He said the bank's employee had told him the transaction would be at market rate and the rate presented was not in line with the market and was instead less favourable to him. He thought he should be able to rely on the information provided by the bank's employee and it was not his risk if the bank employee didn't have the right level of training, preparation or clarity to be able to accurately answer his questions. He highlighted that the bank's employee should have told him if the bank applies a margin to its exchange rate and that his position was weaker than the bank's because he does not have access to the same information.

As no agreement could be reached, the complaint was prepared for an Ombudsman to decide.

My further investigation

When the matter was referred to me, I had further questions for both parties.

I contacted Mr F and explained that it was not uncommon for foreign currency transactions to have a retail margin, so that the exchange rate offered to a customer is not the same rate as the bank obtains itself. I didn't think there was any guarantee that Mr F could have been able to achieve the better rates he had pointed to but asked him to provide further supporting evidence around this point if he thought that I was wrong.

Mr F replied and explained that had he known HSBC was going to apply a margin, his alternative would have been to transfer the money in pound sterling to his other account and then convert it into euros with that firm. He provided evidence from his other bank to show he'd re-converted the amount back into pound sterling shortly after it was received, highlighting that the other firm's charges were less than what HSBC had applied.

The information Mr F provided showed that he went on to place his funds with his other bank in sterling. I asked Mr F why he did this and whether he knew when he was speaking to HSBC that the funds ultimately needed to be in sterling. My reasons for asking were to understand whether Mr F had perhaps made a mistake and converted the funds in error, or whether the payment was time sensitive for any reason which could have limited his opportunity to shop around. Mr F explained he'd changed his mind and decided to keep the balance in sterling and this was a decision he'd taken at a later stage, independently of HSBC's involvement.

I contacted HSBC and explained that I'd listened carefully to the recording of the conversation where the transaction was arranged. I felt the bank's employee was hesitant and uncertain in parts. I suggested I could appreciate why Mr F left the call thinking he'd arranged a transaction that was going to be made on the morning on 7 October 2024 at HSBC's rate at that time, when in fact he'd arranged the payment to be made at a rate that was already known. I asked the bank to tell me what rate HSBC would have applied to a payment of this size if it had been set up and sent live at around 10am on the morning on 7 October 2024, as this is what I consider Mr F understood the position to be.

HSBC responded to say that it had listened to the call again and it felt it was made very clear to Mr F that the markets were closed, and the rate could change the following day. The bank highlighted that Mr F was told that he could call back tomorrow and that he had up until 11:59 that evening to cancel the payment. The bank told me the exchange rate was not fixed at the time of the call, it was 1.181853 euros to the pound when it was processed, but this was subject to change as the markets were closed. It said the rate must have been the same the next day.

I contacted HSBC to point out that what the bank had said about the exchange rate not being fixed was in direct contradiction to what it had said in its final response and both positions could not be true. I highlighted it seemed more likely than not that the rate was fixed during the phone call on Sunday because the advice of debit document from 7 October 2024 and the transaction information I'd seen both used exactly the same rate. I thought it was unusual that a live rate from the next day would not have had any variance in amount at all, not even by a few cents.

I contacted Mr F and explained I had asked HSBC to explain what rate it would have offered if the payment had been arranged on the Monday morning instead in order to see how far

away from the actual pricing of the transaction it was. I also explained to Mr F that the information he'd provided from his other bank was for 9 October 2024, so it didn't confirm to me what rate he might have been able to obtain elsewhere at the relevant time. I explained that I had looked at HSBC's rate for 9 October 2024 and there wasn't much between the two client rates on that particular day, although I recognised that even a small variance would add up on a transaction of this size.

HSBC responded to confirm a locked in rate applied on non-working days. It provided information to me about the indicative rates that could have been received had the transaction been arranged on the Monday morning, but this information outlines that the rate was worse than the weekend rate at approximately 1.177630. From what I have seen, it's likely the payment would have ended up approximately €6,663 less than what Mr F received had it been arranged with HSBC's rate on Monday morning.

For completeness, I asked Mr F if he could obtain what rate his other bank offered on Monday morning. Mr F was able to confirm the market spot rate and the commission that his other bank would have applied.

As both parties provided the additional information I required, I went on to consider the complaint. I issued my provisional decision last month setting out why I was minded to say HSBC's offer was fair. I've reproduced my provisional findings below:

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, even though I agree that HSBC's conversation with Mr F fell short, I am not persuaded that he has incurred a financial loss because of the bank's actions. As this is not the outcome Mr F is hoping for, I will explain why.

I've listened carefully to the phone call between Mr F and the bank when the transaction was set up. I consider there were occasions where the parties were unwittingly talking at cross purposes about fundamental details that go to the heart of the transaction. The bank's employee did not appreciate the significance of what Mr F meant by a market rate otherwise he would have pointed out that a market rate and the HSBC Exchange Rate aren't one and the same thing.

I also consider there was confusion over exactly what had been arranged because the way the call was delivered lacked clarity and confidence. The bank's employee mixed up cents and pence when reading out the amounts, and in addition his explanation of significant information at key points was unclear:

HSBC: ...because the foreign markets are currently closed, erm the rate quoted here is subject to change, erm so if we were to erm send that payment instruction up for today and it would be leaving your account tomorrow, that the rate that I've just told you would be the rate applied to this exchange rate erm and you can't predict...

Mr F: Sorry, will you be updating it or not? Is that what you said?

HSBC: So yeah erm because the markets are closed currently, the rate is subject to change...erm so during the weekday it does change...so the rate could be higher or it could be lower tomorrow, it just depends on you know the timing

Mr F: Yeah, okay

HSBC: Brilliant, okay, so you can lock in the rate today and you will know up front how much

you are sending, so are you happy to send the payment in local currency?

Mr F: In local currency yeah, but let's wait for the exchange rate tomorrow because I think the rate you mentioned now is not a particularly good one

HSBC: Okay, so in that case, would you like to leave it here for now and then call us again tomorrow in order to make this payment?

Mr F: ..you confused me now...at first you said the exchange rate will be recalculated tomorrow morning when the payment is sent, but then you said that one option is to lock in the exchange rate now

HSBC: Yeah, so essentially what we are doing, we're not locking this exchange rate in, it is subject to change, however if I set up your payment instruction up for today, erm you wouldn't get to decide if it leaves your account tomorrow because that payment instruction is set up already, so when the erm exchange rate and the currency cut off time opens tomorrow, it will be sent straight away, so which is why if you do want to leave it to tomorrow to get a better exchange rate, I can't set up your payment instruction today I'm afraid

Mr F: I spent 40 minutes on the phone today, will I have to spend 40 minutes tomorrow as well?

HSBC: Not necessarily, but we are required to carry out the necessary checks because of the amount and because where we're sending it to.

Mr F: So what is the exchange rate that I will get tomorrow?...is it a mid-point, is it something else?

HSBC: ...we can't lock in a rate for you, we can't offer you a better exchange rate I'm afraid, it's just based on the live exchange rate that will be released tomorrow, that's the exchange rate that the payment will go through as

Mr F: What time does the payment go out tomorrow?

HSBC: So if I were to set it up today, it would be leaving your account in the morning possibly, so around 9,10am

Mr F: That's okay, then send the instructions now and hopefully, I understand that the market exchange rate moves all the time but I hope it's not the market exchange minus X per cent which is charged by HSBC, you haven't been able to explain that bit to me, are there commissions attached to the exchange rate, will I get the exchange rate minus 1%, do you know?

HSBC: Sorry, what's the 1% you're referring to?

Mr F: I don't know, I'm asking, do I get the market exchange rate that you read on Bloomberg screens or is it that number minus some sort of fee or commission charged by HSBC?

HSBC: No, so it's not charged with any commission aside from the £5 fee, so aside from that fee, there's no other hidden fees or costs, it is just based on the market exchange rate

Mr F: Okay that's fine, load it up today and let's make it go out tomorrow morning

HSBC: Okay, brilliant.

I consider that Mr F left the call with two fundamental misunderstandings. He thought he'd arranged a transaction that was going to be made on the morning on 7 October 2024 at the live rate as it was at that time. In fact, the payment was going to be made the next day an exchange rate that had already been locked in on the phone call. This exchange rate was HSBC's rate and not a market exchange rate.

Mr F was not given the information he needed, at the time he needed it, and in a way that was clear to understand. Even though HSBC had said what the rate was, this messaging was ultimately lost in a long call. HSBC misrepresented the key details of the trade, but the way to put that right isn't to put Mr F in the position he would have been in if what HSBC's employee had said was true. I have to think about what Mr F would have done differently if he'd been given the correct information. This is a decision I have to make on balance, considering what I think is more likely than not to have happened based on the evidence available to me.

I am not currently persuaded that Mr F could ever have converted the money at market rate without any additional costs with any financial institution. It's not uncommon for banks and specialist forex providers to apply a retail margin to create a trading rate. By this I mean the exchange rate that is offered to a customer is not the same rate as the firm obtains itself. Pricing models tend to take into account the size of the transaction, other ongoing trades and wholesale costs. The information from Mr F's other bank demonstrates that it too applies an additional amount as a commission based on the size of the trade. As a result, I am not persuaded that obtaining a market rate which was akin to what the bank had obtained itself was going to be possible. This means I can't fairly use these rates to quantify a potential loss.

In the recording of the conversation, Mr F remarks that the exchange rate he was told during this conversation was low. As such, I don't think Mr F would have agreed to go ahead with the transaction at that rate if he'd been given clearer information because he'd already expressed some hesitancy about it. But I am not persuaded that Mr F would have decided to send the money to his other account in sterling. He's told me converting the money back to sterling was a decision he'd taken at a later stage. At the time he was speaking to HSBC, his intention was to transfer the money in euros. On balance, if HSBC's employee had been clearer that the transfer would be made at the exchange rate that had been specified, I think it's more likely than not that Mr F would have aborted the transaction on Sunday and contacted the bank afresh on Monday to make the transaction using a live rate when the markets were open. Mr F was comfortable with the idea of proceeding the next morning at the live rate because that was ultimately what he thought the situation was. But from the information I've seen from HSBC, if this had happened, he would have been worse off as the euro had a bad Monday morning market open.

I've thought carefully about what Mr F has said about his other bank and other options that could have been open to him. From what Mr F has been able to obtain from his other bank, it seems that its fees and charges potentially would have been smaller than HSBC's which would have been more advantageous to Mr F, with the benefit of hindsight. But in the moment, I can't overlook that Mr F gave his agreement to go ahead with HSBC thinking the transaction was going to be made at the live rate the following morning.

I know Mr F is going to be disappointed with my position. This was a large transaction, and it is galling to discover after the fact there could have been other options to move the money which could have been more financially beneficial. But having looked carefully at everything, I think the £350 compensation HSBC has offered to pay to recognise for its poor service during the critical phone call is fair and reasonable. I can't fairly say that HSBC is also responsible for a potential loss when I am persuaded it is more likely than not that Mr F would have still chosen to send the money in euros through HSBC on 7 October 2024.

HSBC accepted my provisional findings, but Mr F didn't agree. He highlighted that we agreed HSBC's representative was unclear and not equipped to answer the questions asked in the call. Mr F explained that had HSBC been clearer on costs, he had alternatives. He suggested that he could have waited until the following day to transact, he could have compared rates with other banks, or he could have transferred the money in pounds. He explained that he has suffered a financial loss that should be indemnified and referred back to his complaint letter where he estimated the loss to be approximately £17,000. He suggested I was holding him to a different standard than HSBC and hoped I would be able to reconsider.

As both parties have now had the opportunity to consider my proposed outcome and have responded, I must now go on to make a final 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.

I've thought carefully about the points Mr F has raised in response to my provisional decision and have reviewed the case afresh in light of them. Having done so, I remain satisfied that the outcome I've proposed is fair and reasonable in all the circumstances.

Mr F and I are in agreement that HSBC's level of explanation fell short. The bank didn't make it clear enough that its own HSBC Exchange Rate is applied for foreign currency conversions. The bank didn't do anything wrong by applying that rate to the trade, because this is what HSBC's terms and conditions indicate will be used when sending money electronically in a foreign currency. But even though I agree HSBC didn't explain sufficiently what would happen, I have to consider what Mr F would have done if HSBC had given him the correct information.

Mr F has outlined a number of different options that could have been open to him. I have to make a decision about what I think Mr F would have done on balance, forming a conclusion on what I think is more likely than not in light of the evidence available to me.

In the call that is at the heart of this dispute, Mr F had some understanding of how foreign exchange works, in so as much as he mentioned mid-market rates. As I explained in my provisional decision, I am not persuaded that obtaining a market rate which was akin to what a financial business had obtained itself was ever going to be possible with any provider. This means I can't fairly use these rates to quantify a potential loss.

If HSBC had been clearer that the rate it had stated was the rate that was going to be applied to the transaction, I think it's more likely than not that Mr F would have wanted to do it the next working day to see if the rate improved. I say this because Mr F expressed his dissatisfaction with that rate and ultimately he decided to proceed with HSBC and what he thought was an unknown rate the next day. If Mr F was unhappy with any uncertainty and the potential to get just as poor of a rate as he was quoted during the call, then he did not have to proceed. In the moment, Mr F wanted to make the arrangements there and then, and he didn't want to have to phone the bank again the next day. My further investigation with HSBC outlined that he would have been worse off if he'd done so.

I am sorry to have to disappoint Mr F. He's highlighted that he's lost a significant amount of money because he could have potentially achieved better than this trade, so this is not an easy message for me to give and I am mindful that it will not be an easy message for him to receive. My decision only binds the parties to this outcome if it is accepted. Mr F and Mrs P do not have to accept my decision if they do not wish to do so.

In all the circumstances, and for the reasons set out in my provisional decision and reproduced above, I still consider £350 compensation to be a fair reflection of the poor level of service that was provided during the phone call. I make no other order or award.

My final decision

My final decision is that HSBC UK Bank Plc should pay £350 compensation to Mr F and Mrs P if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F and Mrs P to accept or reject my decision before 31 July 2025.

Claire Marsh
Ombudsman