

The complaint

Mr W complains American Express Services Europe Limited (Amex) didn't apply a fair exchange rate when he bought flight tickets using his credit card.

What happened

Mr W says that on 6 March 2024, he was abroad on holiday and purchased return flights, for two people. Mr W made this transaction online with an airline I'll refer to as B, using his Amex credit card. Mr W says he paid the transaction in the currency of the country he was in at the time.

Mr W says before completing the transaction, he checked the daily exchange rate. Mr W says because Amex don't publish an exchange rate on their website, he checked a currency converter website, so he knew roughly what it was at the time. But when he checked the transaction on his account a couple of days later, he noticed Amex had used an exchange rate which he says was 50% higher than what he understood it should have been.

As a result, Mr W says instead of being charged around £385 for the return flights, he was instead charged around £636 which Mr W doesn't feel was fair.

Mr W says he queried this with Amex who said they applied the exchange rate in line with their terms which sets out that they'll use the exchange rate set on the day before the transaction processing day.

Mr W complained to Amex that while he accepts what their terms say, he doesn't think this is fair and feels Amex are in breach of the Consumer Duty. Mr W says this is because Amex don't publish exchange rates online and that the only way to find out what rate they use would be to telephone them. Mr W says Amex's foreign transaction fee should compensate them for any fluctuations in currency between carrying out the transaction and the conversion.

Mr W says he has lost out because of Amex's use of an unfair exchange rate. And that had he known what exchange rate Amex proposed to use, he wouldn't have bought the flights using his Amex credit card. Mr W says Amex have unfairly profited from around £250 which he'd like refunded, together with interest. Mr W also says he'd like Amex to apologise and either ensure that their exchange rate is immediately and publicly available online, at all times, or to shift to a 'live' exchange rate that is fairer to consumers.

Amex looked into Mr W's concerns about this. They said they use a currency conversion affiliate company who change the money into the currency of Mr W's account. Amex explained this company use a rate called the 'American Express Exchange Rate' which is set on the day before the transaction processing day – the process date in Mr W's case was 7 March 2024. Amex say this company bases the rate on:

- The rate required by law or customarily used in the country where the purchase or refund is made or where this doesn't apply,
- Interbank rates selected from customary industry sources.

Amex's terms explain if the transaction is not in US dollars (which it wasn't in Mr W's case) the transaction is first converted to US dollars then Pound Sterling – so effectively, Mr W's transaction here went through two currency exchanges.

Amex said exchange rates can change a lot from one day to another, that the exchange rate applied on the transaction was correct and that the rate Mr W was expecting came into effect the day after his transaction was processed. Amex also said Mr W could have found out information about the exchange rate by calling them – as outlined in the cards' terms and conditions.

Amex said they charge a non-sterling transaction fee if a payment is made using a different currency. And that according to the terms and conditions, the fee for Mr W was 2.99%. So, for these reasons, Amex didn't uphold Mr W's complaint in relation to these concerns. Amex did, however, respond to concerns Mr W raised to them about the service he received when raising this complaint and they identified they could have handled Mr W's complaint in a timelier manner. So, Amex applied £50 credit to Mr W's account for the inconvenience caused to him.

Our Investigator considered Mr W's complaint about the exchange rate and didn't think Amex had acted unfairly. She said page 12 of the terms and conditions of Mr W's agreement set out how currency conversion costs are calculated. And that she didn't find Amex's explanation on exchange rates to be unreasonable. Our Investigator also said Mr W could have contacted Amex for further information about the exchange rate and that while the Consumer Duty requires firms to act in a way to support good customer outcomes, it doesn't prescribe specific policies on exchange rates or pricing structures. Rather, the focus is on ensuring the terms are clearly disclosed and easily understood by customers.

Our Investigator said Amex outlined its exchange rate process and practices in the credit agreement. And while she understood Mr W didn't feel this was as transparent as he'd have preferred, our Investigator didn't think Amex had done anything wrong when applying the exchange rate.

Mr W disagreed. In summary, he said:

- Section 57 and 59 of the Payment Services Regulations 2017 (PSR) say the charges and exchange rate for a currency conversion must be disclosed and that the burden of proof is on the payment services provider to provide information.
- Amex must abide by the high-level principles as set out by the Financial Conduct Authority (FCA) including the Consumer Duty which states a firm must act to deliver good outcomes to retail customers. Mr W referred to PRIN 2A.2 Cross-cutting obligations, PRIN 2A.5 Consumer Duty: retail customer outcome on consumer understanding, and PRIN 2A.6 Consumer Duty: retail customer outcome on consumer support.

- He checked the market exchange rate online, using a reputable website, prior to completing the transaction and that it was reasonable to believe Amex would apply an exchange rate at or around the market rate that he identified online.
- Although it didn't take Mr W long to find out he needed to call Amex once he'd seen how much he was charged, it's not reasonable to expect him to do this. The burden should be on Amex to inform, or to make readily available online, the exchange rate they're using.
- Amex used a historic exchange rate, resulting in Mr W being overcharged, in addition to the 2.99% foreign currency conversion fee which doesn't reflect a good outcome to a retail customer as set out in the Consumer Duty. Mr W says using a historic exchange rate hasn't benefitted him and is unfair pricing.
- On 7 January 2025, Mr W said he tested out the process of calling Amex, using the telephone number at the back of his card, to see how easy it would be for him to find out the exchange rate. Mr W said this process was time consuming as it took around 15 minutes to get this information and that the advisor he spoke to couldn't tell him how long the rate was valid for.

I issued a provisional decision on the matter, setting out the below:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I note Mr W hasn't raised the service issue which Amex addressed in their final response letter and offered £50 for. Instead, Mr W told our Investigator that this issue was irrelevant. So, I haven't addressed this matter in my decision.

In deciding this complaint, I've taken into account any relevant law and regulations, regulator's rules, guidance and standards (including Consumer Duty), and (where appropriate) what is considered to have been good industry practice at the relevant time. Putting this into practice, while I'm required to take into account the law, I'm not bound to reach the same outcome as the law may say, because I'm required to decide matters on a fair and reasonable basis.

PSR

Mr W referred to sections of the PSR to support his complaint. The PSR set out a common legal framework for specified payment systems and services.

I've considered the Sections of the PSRs that Mr W referred to when thinking whether Amex have obligations to disclose the exchange rate information to Mr W at the point of transacting. However, having carefully looked at these sections, I don't interpret them in the way Mr W has set out and I don't think Amex do have obligations under these sections of the PSR. I'll explain why. Section 57 says:

Currency and currency conversion

57.—(1) Payment transactions must be executed in the currency agreed between the parties.

(2) Where a currency conversion service is offered before the initiation of the payment transaction—

- (a) at an automatic teller machine or the point of sale; or*
- (b) by the payee,*

the party offering the currency conversion service to the payer must disclose to the payer all charges as well as the exchange rate to be used for converting the payment transaction.

Having carefully considered the above, I'm satisfied the payment Mr W made was done in the agreed currency. Additionally, Amex weren't offering a currency conversion service before Mr W's transaction. I say this because Mr W was on B's website, purchasing tickets, using his Amex card. And the currency conversion happened after as per Amex's terms on how they convert foreign transactions. So, with that said, I don't think the circumstances of Mr W's complaint and the nature of the payment are the same as the scenario and situation provided for in Section 57.

As I'm not satisfied Section 57 applies, it follows that I don't think Section 59 of the PSR Mr W has referred to applies either.

Consumer Duty

Consumer Duty forms part of the regulatory rules and guidance. The Duty has been in force in relation to firms' regulated activities since 31 July 2023, so it's applicable in this case. The Consumer Duty was introduced by the FCA as a means of setting higher standards for firms to follow and put their customers at the heart of what they do, and act to deliver good outcomes for retail customers – although this does not always mean customers can have the outcome they want.

Part of the Duty explains that firms should support their customers by helping them make informed decisions about financial products and services and to do this firms should provide the information customers need at the right time and presented in a way they can understand.

I've taken this part of the Duty into consideration when thinking about whether Amex made clear to Mr W what the exchange rate was and what information was available to Mr W about this at the time he was making his decision to use his credit card for this transaction. I've looked at Amex's terms to see what information they provide to their customers about the exchange rate and how they go about finding out what the rate is. The terms explain how the exchange rate is set and that customers can find out more about the exchange rate by calling them. Amex confirmed their phone lines are open at all times.

I'm mindful Mr W bought the flights through B directly, on their website, so I've considered whether what Amex's terms say are reasonable in the context of Consumer Duty. While I appreciate it may not be convenient for Mr W to call Amex ahead of making the payment to find out the exchange rate, I think it's fair to say the exchange rate was important to him. I consider the phone facility provided by Amex to be reasonable, as it would have allowed Mr W to check the likely exchange rate before proceeding with his transaction.

Amex didn't provide specific information about the exchange rate that was going to be used in Mr W's transaction on their website and I don't find this to be unreasonable as I don't see how it could work practically. I think this information would have been available to Mr W had he sought it with Amex before making the purchase directly with B, but I'm mindful Mr W didn't do this. So, having considered everything, I don't think what Amex were asking Mr W to do in terms of contacting them to find this out was unreasonable, given the exchange rate was important to Mr W.

Mr W said he chose to use his Amex credit card for this purchase to make use of the additional benefits the card provides, such as travel insurance. And that if he used another credit card for the transaction, he wouldn't have been insured for his travel. So, even if I was

to accept Amex did something wrong, which I don't think they have, I don't think Mr W would have acted any differently. Mr W hasn't provided me with evidence that persuades me he would've used a credit card, with a better rate, which would have been as beneficial as the reasons he outlined behind using his Amex credit card.

I note Mr W has commented on Amex charging a foreign conversion fee of around 2.99%, which he feels should compensate Amex for any fluctuations in currency changes. It's up to Amex to set their own fees and charges. This a matter of commercial judgement and not one this service can interfere with.

I note Mr W has made reference to interbank rates and that specific exchange rate information should be available on Amex's website. While I've considered what Mr W has said, our service doesn't have a role in reviewing how Amex does business, nor to tell them what processes to follow and for example, to publish their prices. Or to say that they have to charge prices or set margins in line say with other financial businesses.

I appreciate Mr W's point about firms, such as Amex, should be acting to deliver good outcomes to retail customers, under the Duty. However, Consumer Duty isn't prescriptive in setting out specifics for exactly how a business operates. I think it's important to acknowledge while Consumer Duty sets out cross cutting rules for how businesses should act to deliver good outcomes for customers and that businesses should help customers to achieve their financial objective, it doesn't necessarily mean a customer will always get the outcome they want.

Have Amex acted fairly when converting Mr W's transaction?

I've thought about everything Mr W has told us including why he thinks Amex used the wrong exchange rate for his transaction. However, what I need to think about is whether Amex have done what they should have done in line with their terms and conditions. Their terms explain the exchange rate used is set on the day before the process date – which for Mr W's transaction was 7 March 2024. So, they used the rate set on 6 March 2024 and this is in line with their terms and conditions.

I appreciate there was a sudden change to the rate shortly after Mr W's transaction, which is unfortunate. But this never would have been the exchange rate in Mr W's transaction for reasons I've already explained – Amex's terms explain the rate used is the date before the process date and not after. With all of that said, I don't think Amex have acted unfairly.

I'm aware Mr W recently provided information about the exchange rate he says Amex should have used at the time. I've considered what Mr W said carefully in conjunction with all of the above. And while I haven't addressed each point Mr W mentioned, based on everything I've said above, I'm satisfied Amex haven't treated Mr W unfairly.

Amex didn't respond to my provisional decision. Mr W responded and in summary, he said:

- *He has held a debit card for several years, which I'll refer to as "C". And that he uses this card for foreign currency transactions because C offer a competitive rate, they use a 'live' exchange rate and they also don't charge a significant conversion fee. Mr W also said this card has connected travel insurance.*
- *However, Mr W went on to say he prefers to use his Amex credit card for purchasing flights with B because he earns enhanced reward currency from doing so, and this currency is used in various airlines' loyalty programs. Mr W also said the travel insurance with his Amex credit card is slightly better than the insurance on his card with C. Mr W says he would always take a view on the cost and benefit of those two advantages and where the difference amounted to a lot of money, as it did in this*

case, Mr W says he wouldn't have used his Amex credit card. And he would have used his card with C.

- He recalls the charge for making calls to the UK from the destination he was in was over £1 per minute on his mobile at the time. On the assumption it would have taken around 15 minutes for him to find out the necessary information about the exchange rate, this is a potentially significant cost for people who want to spend money abroad. Therefore, Mr W says it would have been reasonable to expect Amex to either display a 'live' rate or to have published up to date information via an app or on their website. Because Amex don't, this is unreasonable.
- Mr W agreed the exchange rate was important to him and that as he was paying a foreign conversion fee, he wouldn't have expected Amex to make extraordinary profits at his expense by using an exchange rate that wasn't in line with up-to-date rates.

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 want to assure Mr W that while I may not comment on everything he said in response to my provisional decision, I've read everything he has said.

Mr W says he would've used his card with C to purchase the flights as it had certain benefits that he wanted - the key benefit being that they have a 'live' exchange rate which Mr W says Amex ought to have too. However, I can't ignore the fact that he didn't use C's card for this purchase despite setting out these benefits which Mr W was aware of.

Mr W then said he prefers to use his Amex credit card for the enhanced benefits he gets when purchasing flights with B and also for the slightly better travel insurance than the cover that comes with his card with C. So, on one hand he would've used C's card, but on the other he prefers to use Amex's card for purchases with B for the reasons he's outlined. It's not entirely clear to me what point Mr W is trying to make here. But, when I previously asked Mr W why he didn't use a different card to make the purchase, he said his Amex credit card is packaged with travel insurance and certain benefits which require him to purchase products using his Amex credit card. Mr W didn't mention his card with C previously. So, I don't think it's unreasonable for me to rely on the answer Mr W initially provided when I first asked him why he didn't use a different card. Overall on this point I'm not persuaded Mr W would have done anything differently given all of his comments.

I understand Mr W's concerns about Amex's terms which ask customers to call them to find out the exchange rate and the potential cost associated with making this call. Therefore, to avoid a potential significant cost to people making purchases from abroad, Mr W thinks it's more reasonable for Amex to either display a 'live' rate or to have published up to date exchange rate information via an app or on their website. For reasons I explained in my provisional decision, our service doesn't have a role in reviewing how Amex does business nor tell them what processes to follow. And my opinion remains that given the exchange rate was important to Mr W, I don't think it was unreasonable to expect Mr W to reach out to Amex to find out this information – but he didn't do this, nor did he attempt to do this at the time.

I appreciate Mr W says he feels Amex have made a profit from his transaction. While I understand Mr W's frustration, I don't think Amex have acted unfairly in applying the exchange rate from the day before the process date – this is what their terms set out. As previously explained, it's up to Amex to set their own fees and charges and is a matter of commercial judgement.

My final decision

For reasons explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 28 May 2025.

Leanne McEvoy
Ombudsman