

## **The complaint**

Mr J is unhappy with the exchange rate provided by HSBC UK Bank Plc trading as First Direct ('First Direct') for an incoming international payment. He thinks the margin included in this rate is excessive and it should have been disclosed to him beforehand.

## **What happened**

Mr J received a \$143,000 payment on 3 April 2025; it was converted to £107,243.22 at an exchange rate of 1.33341760 GBP to USD. Shortly after receiving the payment, he complained to First Direct as he wasn't happy with the exchange rate provided. He thought they had applied a margin of 1.89% which wasn't in line with industry standards and should have been explained before the payment was converted.

First Direct responded explaining that they do apply a margin which will vary depending on the size of the payment. They don't disclose their margin, but customers can contact them for an indicative rate. Overall, they didn't think they had acted unfairly. Unhappy with this response, Mr J referred the complaint to our service as the margin had cost him close to £1,700 and he couldn't find any information about it in First Direct's literature.

One of our Investigators reviewed the complaint. They explained that First Direct's terms and conditions (Ts & Cs) set out that they will choose their own rate and they wouldn't expect this to be the interbank rate. They didn't think the margin was excessive and as Mr J didn't review any of the costs or fees involved in the payment before receiving it, more detailed information about the margin wouldn't have changed anything.

Mr J disagreed with the response as we hadn't explained whether the margin applied was reasonable, he thought that First Direct should have contacted him before the payment credited the account, and he thought that the margin should be clearly disclosed. As such, the complaint has been passed to me for 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 can see that Mr J feels strongly that he's been treated unfairly by First Direct. While I may not comment on everything that's been raised, I've still taken it on board. I'll be commenting on the points that I think are key to the outcome.

It's not our service's role to tell a business to change its processes. But we must consider whether a business has acted fairly and reasonably in all the circumstances of a complaint, taking into account rules, regulations, industry guidelines and best practice at the time the event took place.

As an impartial party, we make our findings based on what's actually happened, so if we find

that a business has made an error, we'd need to also be satisfied that something different would have happened if that error hadn't been made.

### *The exchange rate used for the payment*

Mr J has stated that they expected to receive over £1,700 more after the payment was converted, which is due to information found about market rates online. Websites tend to show a daily, indicative exchange rate, which will usually be linked to what the financial industry refers to as the 'interbank' exchange rate. Alternatively, it might also be called the wholesale rate, mid-market rate or spot rate. Such rates are usually the price at which banks and large institutions trade currency (usually at high volumes) with each other. But the rates found on these websites are not 'official' or guaranteed rates and, in reality, currency exchange rates can change from minute to minute. So, what's really being shown is a snapshot of the approximate market rate on the day in question.

### *The margin*

When a bank carries out a customer's instructions to initiate a currency exchange there are often operating costs involved – this could include its own administrative costs as well as the costs that other banks in the transfer chain incur and pass on to the receiving bank. The bank may also factor an element of profit into the exchange rate it passes on to the customer. And as the Investigator explained, the difference between the rate the bank gets and the rate passed on to its customer is often known as a "margin".

First Direct has provided evidence that their obtainable market rate at the time the funds were converted was 1.311099 and a 1.7% margin was applied to this, bringing the exchange rate to 1.3341760.

I can see that Mr J has used Monzo, Revolut and Wise as examples for what the margin should have been, but I don't think it would be fair for me to consider things in the same way. Banks and payment service providers offer a range of services and benefits to their customers and there will be a varying level of infrastructure and costs involved to enable the receipt and conversion of foreign currency.

Some of the payment service providers Mr J has referred to look to be tailored towards sending and receiving foreign currency, so it wouldn't be fair to use them as a basis for what is reasonable. Particularly as First Direct offers different services including access to physical branches.

I understand Mr J's concern that a margin was applied and that they might have been able to get a better rate from another provider. But First Direct wasn't required to provide the best exchange rate, it was only required to provide fair value. Our research also suggests 1.7% is comparable to the margins that other high street banks would apply to a transaction of this amount. So overall, I don't think they've acted unreasonably by applying a margin to the exchange rate.

### *Explaining the margin*

First Direct has set out in the Ts & Cs that they will use their own exchange rate when converting currency, but I agree with Mr J that there's little information in their literature and on their website about how they decide these rates. This would help customers to make more informed choices.

Mr J has confirmed that he didn't check First Direct's Ts & Cs or their website, and he didn't contact them before the payment was received. Instead, he expected them to contact him as they've done this in the past if they had concerns about a payment. I haven't seen anything to suggest that First Direct would have deemed this transaction to be suspicious or potentially fraudulent, and I wouldn't say that they should put an incoming payment on hold just because it's for a large amount.

This means that even if First Direct did include more detailed information about their margin or how they decide their exchange rates, Mr J wouldn't have seen this before the payment was received. So, the sequence of events wouldn't have changed, and Mr J would have ultimately still received the payment into his First Direct account.

I appreciate that Mr J doesn't think the onus should be on him to check the exchange rates offered by First Direct, but I don't think the onus should be on them to contact him and provide this information before crediting an international payment. As an impartial party, we would expect a customer to review the information provided by their bank in order to make informed decisions.

Overall, I think the bank acted fairly and in line with the account terms and conditions when it carried out the currency conversion. And even if more detailed information was available, Mr J wouldn't have seen this before instructing the funds to be received into his First Direct account. So, I can't fairly instruct the bank to pay the loss Mr J has claimed.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 5 December 2025.

Chris Lowe  
**Ombudsman**