

The complaint

Mr and Mrs G are unhappy with the exchange rate applied and the information provided to them when they cashed their Euro cashier's cheque with Lloyds Bank Plc ('Lloyds').

What happened

I issued a provisional decision on this complaint, inviting both parties to let me have any further comments. Below is a copy of what I provisionally decided and why.

In early June 2024, Mr and Mrs G attended a Lloyds branch to cash a €72,000 cheque. They discussed the currency exchange and clearing process with branch staff and the cheque was presented for collection. This process took some time because it involved sending the cheque to the issuing bank and waiting for them to send the money back to Lloyds. €217.25 was deducted by the sending bank during the clearing process, the remaining amount was converted by Lloyds to £59,259.45 at an exchange rate of 1.21133 GBP to EUR and credited their joint account on 11 July 2024.

Mr and Mrs G reviewed the exchange rate applied against the information they found online and complained to Lloyds as they didn't agree that the spot rate on 11 July 2024 had been applied to the payment. Lloyds responded explaining that the correct exchange rate was used and the difference between that and the one Mr and Mrs G had found online was due to the margin they added to the exchange rate. However, they identified some service issues and credited Mr and Mrs G's account with £100 by way of an apology.

Mr and Mrs G still disagreed with Lloyds' response as they were advised that a predetermined rate had been used instead of the correct spot rate, so they referred the complaint to our service. While the complaint was with us, Lloyds made an offer of a further £300 as they felt that more could have been done in branch to provide an indicative rate.

An Investigator reviewed the complaint and explained that the difference in the exchange rate was due to a 2% margin that Lloyds apply – which is set out on their website. They also thought the £400 total compensation was sufficient given the confusion that may have been caused by any incorrect or conflicting information.

Mr and Mrs G remained dissatisfied, adding some further arguments. They insisted that the rate applied wasn't the prevailing rate on 11 July 2024, the 2% margin wasn't explained to them, they didn't think it was reasonable, and they were told in branch that the spot rate would be applied when the cheque was converted. As such, the complaint has been passed to me for a final decision.

What I've provisionally 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 and Mrs G have provided multiple arguments explaining why they disagree with the outcome reached. I've reviewed these and considered them alongside the key evidence on the case. 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.

Was the correct interbank/spot rate used?

Mr and Mrs G have referred to daily spot rates that they found online. Websites can often show an indicative exchange rate each day, which will usually be linked to what the financial industry refers to as the 'interbank' exchange rate. But it might also be called the wholesale rate, mid-market rate or spot rate. These 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 moment to moment. So, what's really being shown is a snapshot of the approximate market rate on the day in question.

A 2.03% margin was added to the market spot rate (1.18722) that the bank received at the time the currency exchange was completed which increased the total exchange rate to 1.21133. As I've already noted, Mr and Mrs G are concerned that they received a pre-determined exchange rate rather than the rate that was prevailing at the exact time of the conversion. But Lloyds has said the exchange was carried out on 11 July 2024 at 12:47 and they've since checked that this was the correct rate at the time. The bank has been unable to provide evidence to support this. But I can't see why the bank wouldn't have followed its normal procedures – as set out in the account terms and conditions – in this particular case. But, for completeness, I've also taken a similar approach to Mr and Mrs G and reviewed a range of websites to see if there's anything which might indicate that the spot rate Lloyds used was incorrect. I've included a sample of what I found across multiple sources:

- A daily rate of 1.1883.*
- A daily rate of 1.18646.*
- A daily rate of 1.1862.*
- A daily rate of 1.1880*
- A market open rate of 1.1863, market closed rate of 1.1883, mid-market rate of 1.1873.*

So, the rates displayed for 11 July 2024 vary, with some rates higher and others lower than the spot rate Lloyds used. This suggests that the GBP to EUR rate ranged between 1.1862 and 1.1883 on that date and the rate used by Lloyds was very close to the mid-market rate for the day.

Overall, I've seen nothing which persuades me that Lloyds used an incorrect rate when converting the cheque.

Is it fair and reasonable to apply a 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. The difference between the rate the bank gets and the rate passed on to its customer is often known as a “margin”.

Lloyds’ website and their account terms and conditions provide an explanation of the currency conversion process, and this includes that the exchange rate they use includes a margin. And, as I’ve already noted, a margin of 2.03% was added to the base spot rate when Lloyds carried out the currency conversion for Mr and Mrs G.

Lloyds has also said that the margin applied to this particular transaction was specific to the payment type, as different costs are involved in processing cheques when compared to other payment methods. They’ve said that a smaller margin was applied to the cheque currency conversion due to the size and type of payment – had it been made as an international bank transfer, the margin would have been larger.

I understand Mr and Mrs G’s concern that a margin was applied and that they might have been able to get a better rate from another provider. But Lloyds wasn’t required to provide the best exchange rate, it was only required to provide fair value. Our research also suggests 2.03% is comparable to the margins that other high street banks would apply to a transaction of this amount.

Overall, I currently think the bank acted fairly and in line with the account terms and conditions when it carried out the currency conversion.

Were Mr and Mrs G provided with sufficient information?

As I’ve already said, Lloyds’ website and their account terms and conditions talk about the currency conversion process, including that the exchange rate they use incorporates a margin. Mr and Mrs G would have had access to this information, but they’ve said they went into branch to cash the cheque before reviewing this.

I don’t have an audio recording of what was said in branch, but I do have notes made by branch staff and testimony provided by Mr and Mrs G. Mr and Mrs G have said that they discussed the clearing process with Lloyds and were told that a commercial rate would apply when the transaction was completed. They took this to mean that a spot rate would be used. I haven’t seen anything to suggest that the above is incorrect and with Lloyds’ acceptance that they could have done more, I’m willing to accept this as an accurate reflection of the discussions.

Lloyds has accepted that branch staff could have done more when speaking to Mr and Mrs G. This is because they have access to an internal team which can provide an indicative exchange rate and the indicative amount payable for when the cheque clears. This would need to factor in multiple variables including a predicted rate and a predicted clearance date – so the rate given still wouldn’t have been guaranteed. But it would have at least given Mr and Mrs G some general information enabling them to compare the rate with other providers if they wished to do so. I also think the internal team would have been able to provide more detail about how the exchange rate is decided.

Based on the above, I currently think that Lloyds could have done more to support Mr and Mrs G while they were in branch, and it’s likely that the information the bank provided about the exchange rates they use could have been clearer in order to help Mr and Mrs G make an informed decision.

Would Mr and Mrs G have acted differently?

Because I've decided that Lloyds did something wrong, I must go on to consider whether Mr and Mrs G would have done anything differently if the bank had been clearer about the currency conversion process. I can't know for sure what would have happened, so I've made my decision based on the balance of probabilities, that is on what I think is more likely than not given the available evidence and wider circumstances.

Mr and Mrs G have said that they share one main joint account in the UK which they use to receive their incomes and through which they undertake most (if not all) of their spending. And they don't have any currently active accounts with other banks. They also chose not to research or review Lloyds' currency exchange process, or the exchange rates provided by other banks before visiting the Lloyds branch to deposit the cheque. Both points suggest that they weren't going into this process with the intention of obtaining the best exchange rate - and I think approaching their bank via their existing relationship suggests that convenience and familiarity were a strong factor in their decision making.

If Mr and Mrs G were given an indicative rate or told specifically that a 2% margin would be applied, it's possible that they would have decided not to proceed at the time and instead would have decided to review other high street banks that offer the foreign cheque clearing service. If so, they would likely have found that all of these banks apply some kind of margin - some slightly higher than Lloyds and some slightly lower.

The comparison process may also have taken some time as banks provide a varying amount of information about their currency exchange process - particularly when cheques are involved. Had Mr and Mrs G managed to find a bank that offered a more favourable indicative rate or margin they still would have had to go through the steps to set up a joint account with them in order to cash the cheque.

This whole process would have involved extra time and effort, during which market exchange rates would likely have varied, and may not have resulted in Mr and Mrs G finding a more favourable exchange rate elsewhere.

So, taking all of the above into account, on balance, I think it's possible that more specific information in branch might have paused the process and prompted Mr and Mrs G to consider other options. But, in light of the above, I think it's more likely than not they would have ended up paying the cheque into their Lloyds account anyway.

So, in summary, while I agree that Lloyds could have provided more detailed information about the currency exchange process, I don't currently think that doing so would likely have resulted in Mr and Mrs G getting a better exchange rate.

As such, I can't reasonably say that the loss Mr and Mrs G have claimed, relating to the margin Lloyds applied, should be paid by the bank.

The service Mr and Mrs G received

There's been some instances of conflicting and inconsistent information when Mr and Mrs G spoke to Lloyds about the currency exchange process which has led to confusion and distress. Providing more detailed information in branch would have managed their expectations about the exchange process and, as this didn't happen, it's also caused

unnecessary stress and confusion. But I currently think the £100 already paid and the further £300 offered by Lloyds is enough to recognise this.

My provisional decision

My provisional decision is that I intend to uphold this complaint in part and direct Lloyds Bank Plc to pay Mr and Mrs G the further £300 compensation they've offered to resolve this complaint, bringing the total compensation to £400. I don't intend to make any other award.

Responses

I asked for both parties to let me have their responses by 12 September 2025. Lloyds didn't respond and Mr and Mrs G responded explaining that they disagreed with the outcome I had reached. In summary, they raised the following points;

- They disputed that the spot rate was used and were told that Lloyds decide their rates each morning.
- They felt that Lloyds' inability to provide evidence of the spot rate applied should be cause for concern.
- They thought they were right to trust their bank and we shouldn't presume what they would have done differently.
- They think we should comment on unfair practices and the training of Lloyds' staff.
- They felt that they were mis-sold and want the cost of the margin refunded.

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 think it's helpful to set out that our role is to look into individual complaints and consider whether a business has acted fairly based on industry standards and best practice. We're not the industry regulator and it's not our role to state whether a business should change their practices.

In a similar vein, we do not punish or fine businesses – that's the role of the regulator. Instead, we consider whether an error is made and if it has, we consider the impact of that error. I've set out above that it's likely Lloyds didn't provide clear enough information, but I have to go on to consider what would have happened next.

As such, it wouldn't be reasonable for me to say that the cost of the margin should be repaid just because an error has been made. In order to do this, I need to be satisfied that the error would have led to something which would have prevented that cost. This is why my role here is to make an impartial assessment of what Mr and Mrs G would have done next, based on the evidence provided to me.

The spot rate

I agree that the absence of evidence of the actual spot rate applied makes my answer more difficult to provide. In the absence of evidence, I make an assessment on what I think is likely to have happened. This is why I've taken a mix of data into account and while the exact spot rate used can't be proven, it still looks to be within the range of what the market

was trading at for that day.

Lloyds' training and practices

As set out above, my role is to consider the circumstances of an individual complaint. It's not to comment on or consider the overall practices or operations of a business. So I wouldn't comment on the training of staff or general processes, particularly because I wouldn't have evidence to support those arguments.

I appreciate that this is an area of significant concern for Mr and Mrs G. They can choose to contact the Financial Conduct Authority to register their concerns if they wish to.

I thank Mr and Mrs G for their detailed response, however it doesn't persuade me to change the outcome I reached in my provisional decision and so I fully adopt this as part of my final decision. My conclusions are that Lloyds Bank Plc has acted unreasonably and must pay Mr and Mrs G compensation to put things right. I assess that £300 should be paid to resolve the complaint in full and final settlement.

My final decision

My final decision is that I uphold this complaint and direct Lloyds Bank PLC to pay Mr and Mrs G £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G and Mr G to accept or reject my decision before 14 October 2025.

Chris Lowe
Ombudsman