

The complaint

Mr B complains that HSBC UK Bank Plc (First Direct) provided misleading information about their currency conversion process. As a result, a less favourable exchange rate was used when converting an incoming Euro payment.

What happened

Mr B called First Direct in early November 2024 as he was expecting an international payment of €57,760 and he wanted to receive a favourable exchange rate when converting the funds to Pound sterling. He discussed the process with First Direct and he was given an indicative rate for that day which appeared to be competitive compared to the market rates, so he instructed the sender to make the payment to his First Direct account.

The payment was received and converted to £47,154.73 at an exchange rate of 1.22490372 GBP to EUR on 7 November 2024. The difference between this rate and the market rate on the day seemed larger than indicated in the call, so Mr B complained to First Direct that he was misled into believing that he'd receive a 'commercial rate'.

First Direct responded, initially explaining that they provided a 'commercial rate', but it included a margin which depended on the currency pair and the value of the payment. They provided a further response explaining that Mr B would have seen interbank or mid-market rates online, but these wouldn't have been available to him due to the size of the payment. Mr B remained unhappy, so he referred the complaint to our service. He felt that the cost incurred due to this margin was around £1,300, and First Direct should refund it as they failed to provide accurate information.

An Investigator reviewed the complaint, they didn't think Mr B was told that he'd receive a 'commercial rate', the terms set out that First Direct use their own rate and the 2% margin applied was comparable to other banks. Mr B reiterated that he was misled during the call and upon further review, the Investigator agreed that First Direct had made an error when providing the indicative rate and Mr B may have done something different if he was given the correct information.

Mr B provided the name of a firm that he thought would have applied a 0.3% - 0.5% margin. The Investigator was unable to obtain any evidence to support this, so they asked Mr B to obtain a quote or a current indicative rate from the firm in order to calculate the margin they apply. Mr B refused to do this as he didn't think it was relevant to the redress that should be paid to him.

The Investigator agreed that an incorrect indicative rate was provided, which led Mr B to expect an exchange rate that was closer to the mid-market rate. However, Mr B hadn't provided sufficient evidence to show that he would have received a better exchange rate elsewhere, so they didn't think there was a financial loss. But they recommended £250 compensation for the impact of the error. Mr B disagreed, he felt that enough had been done to prove his loss and the full £1,300 should be paid as First Direct should cover the full

margin.

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 Mr B feels strongly that they've 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 clear that Mr B understands what a margin is, the crux of the issue is the information provided when he asked about the exchange rates used by First Direct.

Mr B has set out that he thinks the full cost of the margin should be refunded to him as First Direct didn't provide clear information about the process. However, I'm unable to direct them to refund the full cost just because an error has been made. This would be considered as a fine which isn't something that our service has the power to do, as it's the role of the Financial Conduct Authority (FCA) to fine businesses.

Instead, we have to explore and base our redress on what would have happened if an error hadn't been made by a business, which in this case relates to the information provided to Mr B. If we find that a consumer would have made a different choice, then we'd consider whether that choice would have led to a different outcome. So, if I agree that First Direct didn't provide suitable information, the redress will be based on what exchange rate/margin I think Mr B was likely to have received had he not been given that information.

The call

At the time of the payment, First Direct's terms and conditions confirmed that they would apply their own exchange rate. But neither the terms or the website provided context on how they reached that rate and whether this included a margin. So, I can see why Mr B contacted First Direct for an indicative rate as he needed to understand whether using this account would be a cost-effective choice for him.

I've listened to the call in early November, and I agree with the Investigator that Mr B was provided with misleading information. Mr B provided the market rate he was seeing online and First Direct provided an indicative rate for that day which was 0.18% above the mid-market rate that he quoted to them. First Direct has since confirmed that this wasn't the indicative rate that should have been provided on that day.

I'm satisfied that Mr B's decision to receive the funds into his First Direct account was based on the information provided in this call, and I think it was reasonable for him to rely on it. Had he been given the correct indicative rate - which would have likely been around 2% higher than the online rate, I think he would have considered using another payment service provider to receive the funds. This is supported by his concern for obtaining good value for money, which was set out in the call.

Financial loss

As mentioned above, I'm satisfied that an error has been made in the information provided to Mr B and had that error not been made, he would have likely considered his options before proceeding with First Direct. However, the impact of the error is difficult to assess.

As mentioned above, I'm unable to conclude that the loss Mr B has quoted should be paid just because an error has been made. And the £1,300 quoted is the approximate difference between the market rate and the rate provided by First Direct. However, the market rate isn't something that's available to retail customers as it requires the conversion of currency at extremely high volumes, so it's an exchange rate that Mr B would have never received.

The Investigator has explored what Mr B would have done differently and he was given multiple opportunities to provide evidence which would support the margin he thought he would have received, but he didn't do this. I'm satisfied the reasons behind the request were made clear and it was explained that without the information, we wouldn't have enough evidence to support the loss he's claimed.

Looking at the margins charged by banks and specialist currency providers across the market, I think a margin of 0.5% would be rare, particularly for transactions for less than €500,000. As the transaction value was a lot lower, it wouldn't be reasonable to assume that Mr B could be provided with this level of margin without supporting evidence. And as he's refused to provide that evidence, I'm unable to find that he would have obtained an exchange rate with such a low margin.

Taking the circumstances into account, I think the exchange rate offered by First Direct would have been better than multiple banks and currency exchange providers in the industry. As such, my finding is in line with the Investigator's. Ultimately, while an error has been made, we don't have enough evidence to support the potential loss Mr B has quoted and I'm not satisfied that he would have obtained a margin better than the 2% applied by First Direct had he been provided with accurate information.

Distress and inconvenience

It's clear from the evidence that the misleading information provided in the call would have led to shock and frustration when Mr B received the payment and found that the exchange rate applied wasn't one that he was led to expect. This resulted in him having to spend time finding out the reason behind this as information about this margin isn't shared on First Direct's website. And I can see that he was still provided with confusing information when he raised this with them.

It was clear that Mr B wanted to obtain a favourable rate for the payment and he put his trust in First Direct after speaking to them. This would have damaged that trust with an increased impact due to the size of the payment. Taking this into account, I think the £250 recommended by the Investigator is a reasonable way to resolve the complaint.

My final decision

My final decision is that I uphold the complaint and direct HSBC UK Bank Plc to pay Mr B £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 31 March 2026.

Chris Lowe
Ombudsman