

complaint

Mr T complains that Barclays Bank Plc applied the wrong exchange rates to his exchange transactions. He asks for compensation for his financial loss.

background

Mr T bought a significant amount of Euros in several transactions. He also sold a smaller amount of Euros on the same day. Mr T complains that:

- The difference between the average exchange rates applied to the purchase of Euros and the rate applied to the sale of Euros was too great, especially as there was a transaction fee.
- The exchange rate used was not the one Barclays had said would be used.

The adjudicator recommended that the complaint should be upheld. She said:

- It is not unreasonable for banks to use different exchange rates when they buy or sell currencies. The rate a bank uses is a commercial decision.
- Barclays had followed Mr T's instructions when it made the transfers. Mr T had initialled the payments to confirm he understood the rates he was shown were only indicative.
- Barclays had not followed its own processes when making the purchases. Due to the size of the transactions, it should have booked the exchange rate through its treasury desk. Barclays offered to pay compensation of £1,082.

Mr T did not agree. He said Barclays had not provided evidence the correct rate was used. The exchange rate table it had provided was not relevant as it was for transactions of less than £25,000. Mr T said Barclays should have applied a rate closer to the rate it applied to the sale of Euros. He said this caused him a financial loss of about £10,000.

my provisional findings

I issued a provisional decision as follows:

Mr T does not dispute that Barclays carried out the exchange rate transactions as he had requested. He does dispute that the exchange rate Barclays applied to his purchases of Euros was correct.

Barclays' processes say that amounts over £25,000 must have a preferential exchange rate booked. It did not follow this process when making Mr T's transfers. So I find it is fair and reasonable for Barclays to compensate Mr T for any loss he suffered as a result. I consider the correct way to determine Mr T's loss (if any) is to compare the exchange rate used with the preferential exchange rate that would have been used had Barclays followed its process correctly.

Unfortunately, Barclays says it cannot provide evidence as to the preferential exchange rate that would have been used had it followed its processes correctly. I have considered how, with the information that is available, I can establish what is a fair and reasonable amount of compensation.

- *I am not persuaded it would be reasonable to require Barclays to apply the same rate to purchases of Euros as for sales, or to use the rate used for sales as a bench mark. Banks are entitled to use different rates for purchases and sales of currency.*
- *Barclays provided a table showing the exchange rate used for transactions up to £25,000. I agree with Mr T that this did not apply to his transfer – which was for an amount greater than £25,000. It is no more than an indication of what rate might have been applied.*
- *Barclays has looked again at the rates that were applied to Mr T's transfer and at the interbank rates on the day. Having done so, it says had it booked a preferential rate, it is likely it would have offered Mr T a rate "nearer the best rate" he achieved on his transfers. It has not provided evidence to support this.*
- *Barclays says interbank exchange rates on the day were 1.1932 to 1.2005. It has not explained how its own rates relate to this.*
- *The best exchange rate used for Mr T's transfers into Euros was 1.17289. Barclays has offered to pay compensation of £1,082, calculated on the basis that this rate should have been applied to all of the purchases.*
- *Mr T says he recalls being asked by Barclays to sign documents which mentioned a rate closer to 1.20. I am satisfied that Mr T was given indicative rates before agreeing the transfers, but I have not seen evidence of what these indicative rates were. I am satisfied that Mr T expected a better rate for his transfers. I say this because his complaint was raised promptly after he received the funds transfer advice and he has been consistent throughout.*
- *Had Barclays followed its own process correctly, a preferential exchange rate would have been booked and Mr T would have known what rate would be applied. Because of Barclays' error, Mr T was denied the opportunity to make an informed decision whether to proceed.*
- *Had Barclays responded more promptly to Mr T's complaint, it might have been better able to provide information about the preferential exchange rate.*

As Barclays made an error, I consider the burden is on Barclays to show the compensation it offers is fair and reasonable. Unless Barclays can provide evidence to support its view that a rate of 1.17289 would have been applied, I am inclined to find that Mr T should be compensated at a mid-point between the low and high of the interbank rate on the day – so between 1.1932 and 1.2005. This gives a rate of 1.1969.

So this means that I find it fair and reasonable for Barclays to compensate Mr T based on the difference between the rates he actually received on the sterling to Euro transactions, and 1.1969. I invite Barclays to calculate the compensation Mr T should receive based on this rate, in response to this decision.

I also consider it reasonable for Barclays to pay interest on the compensation at 8% simple from the date of the transfers to the date on which it pays the compensation to him.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Barclays and Mr T agreed with my provisional findings. Barclays calculated the compensation owed to Mr T as Euro 12,173.82.

Mr T would like the payment to be made in sterling and has expressed concern about the exchange rate that will be applied. The parties have agreed that Barclays will use its blanket rate for that day. To address Mr T's concerns, I find it would be reasonable for Barclays to inform Mr T (with the help of our adjudicator if need be) of the exchange rate it will use prior to the payment being made. If Mr T is unhappy with the rate, he can ask that the payment is made on another day within 14 days of the proposed payment or ask that the payment is made in Euro. I do not consider it would be reasonable for the payment to be deferred for more than 14 days.

my final decision

My decision is that I uphold this complaint. In settlement of it, I order Barclays Bank Plc to pay Euro 12,173.82 to Mr T plus interest at 8% simple from the date of the transfers to the date on which it pays this amount to Mr T.

Barclays will convert the payment to sterling using its blanket rate on the date the payment is made. It will inform Mr T (with the help of our adjudicator if need be) of the exchange rate it will use prior to the payment being made. If Mr T is unhappy with the rate, he can ask that (a) the payment is made on another day falling within 14 days of the proposed payment or (b) the payment is made in Euro.

If Barclays Bank Plc considers it has to deduct tax from the interest element of my award, it should send Mr T a tax deduction certificate when it pays him. He can then use that certificate to try to reclaim tax if he is entitled to do so.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr T to accept or reject my decision before 29 January 2015.

Ruth Stevenson
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