

The complaint

Mr R complains about the exchange rate applied by Lloyds Bank PLC (“Lloyds”) when a foreign cheque was paid into his account.

What happened

Mr R is represented by a relative in bringing this complaint. But, to make it easier to read, I’ll only refer to Mr R in this decision.

In 2022, Mr R wanted to pay a foreign cheque into his Lloyds account. The cheque had been issued by an overseas bank which I’ll call M. Mr R took the cheque into a branch of Lloyds. The branch sent the cheque to a specialist department for processing. After several weeks, the funds were converted into Sterling and paid into Mr R’s account. But the amount Mr R received was almost £10,000 less than he was expecting.

Mr R complained to Lloyds. He said it hadn’t told him there would be a charge for paying in the cheque. And he said it had used the wrong exchange rate. He referred to the international exchange rate for the relevant currency on the date of conversion, which was more favourable to him. He asked Lloyds to check this and refund the balance to his account. He also said that Lloyds had a duty to ensure he received the best conversion rate and that this should have been considered before the currency exchange was completed.

Lloyds didn’t uphold the complaint. It explained that, when it receives a foreign cheque, its process is to contact the overseas bank to collect the funds. Lloyds said it doesn’t charge customers for doing this. But it can’t confirm any charges which the foreign bank may make. Lloyds explained that the exchange rate isn’t agreed in advance. It said it applies the rate which is in place on the day it receives the funds from the foreign bank.

In this case, Lloyds said it negotiated the cheque with M on 22 November. M charged a fee. M deducted this fee and sent the remaining funds to Lloyds. Lloyds then converted the funds into Sterling and paid them into Mr R’s account. Lloyds said that its Foreign Cheque Team had confirmed that the exchange rate used was the correct rate on that day.

Mr R wasn’t happy with Lloyds’ response and asked this service to look at the complaint. I issued a provisional decision on 27 July 2023, indicating my intention not to uphold the complaint. Mr R hasn’t commented on the provisional decision. Lloyds confirmed that it didn’t have anything further to add. I’m now making a final decision about the complaint.

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 haven’t seen anything which changes my mind about the outcome of this complaint. So, as I indicated in my provisional decision, I’m not going to uphold it. My reasons are set out below.

I've looked at the terms and conditions of Mr R's account with Lloyds. By opening and continuing to use the account, Mr R agreed to be bound by these. They set out what Lloyds will do if Mr R wants to pay a foreign currency cheque into his account. The terms say:

"We usually buy the foreign cheque from you. If we do this, we will usually pay the amount of the cheque into your account by the sixth working day after you present the cheque.

If we can't do this, we will send the cheque to the bank that issued it. They will send us the payment and we will pay that into your account on the day we receive it. The time this takes will depend on the other bank and where it is."

Because of the currency of the cheque, Lloyds couldn't buy the cheque from Mr R. It had to send the cheque to the bank that issued it. Lloyds' specialist team sent the cheque to M at the beginning of October. Lloyds wrote to Mr R at that time. It told him the cheque had been sent for collection and that it was waiting to receive the funds from M. I'm satisfied that Lloyds paid the funds into Mr R's account on the day it received them from M. This means Lloyds followed the correct procedure – as set out in its terms and conditions – when processing the cheque.

The main issue which Mr R is unhappy about is the amount of money credited to his account and the exchange rate used by Lloyds. Mr R says he wasn't told that there was a charge for clearing the cheque. I'm satisfied that Lloyds didn't charge a fee for the transaction. M did make a charge, which it deducted before sending the funds to Lloyds. Lloyds' letter to Mr R in October said that any charges made by M would be deducted from the cheque proceeds. I understand that the amount of the charge was quite small. But, if Mr R wants to query it, he should raise this with M directly as Lloyds couldn't control how much M charged.

The exchange rate used is set out in the terms and conditions of Mr R's account, in the section about paying in foreign cheques. The terms say:

"If we need to change the payment into pounds, we will use our standard exchange rate. We will apply the exchange rate on the day we pay the money into your account."

So, the exchange rate used by Lloyds was its standard exchange rate. The terms and conditions explain what this is:

"Our standard exchange rate includes a margin. This is the difference between our standard exchange rate and the rate at which we buy and sell currency in the foreign exchange markets. You can find our current exchange rates by calling us or asking in branch. The exchange rate changes to reflect currency market movements, so we won't be able to confirm the actual rate until we receive the payment."

I think this explains the variation in the exchange rate used by Lloyds and the exchange rate quoted by Mr R. Lloyds used its standard exchange rate which included a margin. I can understand why Mr R is unhappy about the rate used. But I don't think Lloyds acted unfairly. It followed its usual procedures and acted in line with the terms and conditions of Mr R's account.

I've seen a screenshot from Lloyds' system which shows the funds being received from M and the exchange rate used. The exchange rate quoted in Lloyds' letter to Mr R of 9 December was the rate being used by Lloyds at the time of the currency conversion. I'm satisfied that the amount credited to Mr R's account was correct, based on this rate (and following the deduction of M's fee).

I understand that Mr R would have liked Lloyds to consider the exchange rate before completing the currency conversion. I understand that he thinks Lloyds should perhaps have waited for a more favourable rate. But I don't think Lloyds had any obligation to do this. Its terms and conditions say it will apply the exchange rate on the day it pays the money into Mr R's account. And that Lloyds will pay the money into Mr R's account on the day it receives the payment from the overseas bank. That's what it did here.

When Lloyds wrote to Mr R in October to confirm the cheque had been sent for collection, it said that the exchange rate used would be that of the day Lloyds received the funds. The letter provided a phone number for Mr R to contact Lloyds if he had any questions. So, if he wanted to discuss the exchange rate with Lloyds in any way, for example to find out what type of rate it was going to use, I think it's fair to say he could have contacted it before the currency conversion took place.

I sympathise with Mr R's situation and I'm sorry to disappoint him. But I don't think Lloyds did anything wrong here. So, I'm not going to ask it to do anything. I understand that Mr R has concerns about why M gave him a cheque rather than making a bank transfer. It's possible this made a difference to the exchange rate and therefore the amount Mr R received. But I don't think this was something Lloyds had any control over. Mr R may want to consider raising a complaint with M about the method of payment used. But I'm afraid that isn't something I can look at here.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 24 October 2023.

Katy Kidd
Ombudsman