

The complaint

Mr G is unhappy with the exchange rate applied by HSBC Bank Plc when he sent US dollar payments to his sterling account in the UK.

What happened

The circumstances that led to this complaint are well known to both parties, so I won't repeat them in detail here. But, in summary:

- Mr G made several wire transfers from an overseas account to the UK between March and May 2023.
- He complained that HSBC used an arbitrary rate of exchange when converting the payment to sterling, resulting in a loss of over £12,000. He said they should have used the prevailing market rate.
- Mr G has supplied evidence to show the average exchange rate advertised by different providers was different to the rate HSBC provided for his transfers, and therefore he would like them to reimburse the money lost.
- HSBC explained their rates are variable and change throughout each day. They said their terms and conditions state they will use the HSBC Exchange Rate applicable at the time of receiving the incoming payment.
- HSBC also said this rate is derived from a live interbank market rate, using the mid-rate, which is the average between the sell and buy rates with their retail margin applied. They explained that they don't tell customers what their margins are, but they are included in the rate they advertise.
- Our investigator looked into the complaint and couldn't say that HSBC had done anything wrong. He checked the terms of the account and was satisfied they made it clear that payments received in a foreign currency to a UK personal account would be exchanged using the HSBC Exchange Rate/ HSBC Global Transfer Exchange Rate.
- Our investigator didn't feel the rates used were unfair and explained that in order to know how much he would receive after conversion, Mr G would have needed to book an exchange rate with the remitting bank before making the payment.
- Mr G disagreed. He said that HSBC setting a unilateral exchange rate is the same as them applying hidden charges and they should have let him know that they intended to charge a rate significantly different to other providers.
- Our investigator considered Mr G's points but remained of the view that HSBC had made it clear in their terms that they use their own exchange rate.
- Mr G still disagreed so the complaint has been passed to me for review.

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.

What I need to decide is whether HSBC acted fairly and reasonably when applying the exchange rate they did. And having considered everything, I agree with the investigator for the same reasons. I will explain why.

Section 10 of the terms of Mr G's account state that any funds received in a foreign currency will be converted into Sterling using the HSBC Exchange Rate at the time it receives the cash.

Mr G has said that banks have an obligation to provide clear and transparent information regarding fees and charges associated with their services. He said HSBC failed to disclose the significant impact of their margin on the exchange rate which resulted in the loss of over £12,000. He also said that HSBC do display a fee of £5 for international transfers on their website, which gives the impression that is the extent of the charges, but they are silent on the fact they also charge a margin/commission based on the exchange rate they use. He says HSBC are misleading in their communications which create a false impression of the total costs involved.

I understand Mr G's frustrations as he feels he lost more money than he would have done had he used a different provider. But I'm satisfied HSBC have acted in line with the terms of the account and applied the rate that was available at the time the payment was made. And while I understand that Mr G sees the amount that's been taken after conversion as a charge, it isn't a charge, just a difference in the amount that is left after the payment has been converted using the rate available.

While the rate may have been different to what Mr G could have got elsewhere, banks are free to set their own rates, and it's for customers to research different providers and find a rate they are happy with. HSBC also wouldn't share their margins with customers, as that is commercially sensitive information.

If Mr G wanted to know what he would receive after the payments had been made, he could have booked an exchange rate with the remitting bank, so that the payments could be exchanged before arriving into his UK account. Given the amounts involved, it would have been up to Mr G to look into the rates available at the time and make an informed decision about what he wanted to do.

I understand Mr G has provided evidence to show that better rates were available with different providers, however I'm not able to comment on those rates as they hadn't been guaranteed to Mr G for his exact payments. I therefore can't be sure he would have got those rates, had he chosen a different provider.

Overall, I can't see that HSBC have done anything wrong here. They applied the HSBC Exchange rate at the time the payments were made, which is what the terms say they do. Because of this, I'm not going to ask them to reimburse the sum of money Mr G says he lost.

I appreciate Mr G will likely be disappointed with my decision, but I hope it helps him to know that someone impartial and independent has looked into his concerns.

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 G to accept or reject my decision before 11 January 2024.

Danielle Padden
Ombudsman