

## **The complaint**

Mr and Mrs S complain about the rates and charges applied by Bank of Scotland plc trading as Halifax when they exchanged a large amount of euros for pounds.

## **What happened**

In late September 2022, Mr and Mrs S opened an account with Halifax to receive the proceeds of sale of their foreign property. The sale was completed in November 2022. Mr and Mrs S decided to split the proceeds of sale between Halifax and another bank (C). They found that although almost the same amount of money was transferred to each bank, they received over £2,300 less with Halifax than with C.

Mr and Mrs S complained to Halifax and it was explained to them that it had applied its exchange rate which included a margin of 1.8%. It accepted that they got a better exchange rate with C, but as the transfer was carried out in line with the terms and conditions of the account, Halifax did not consider that it had done anything wrong.

Mr and Mrs S complained that they had had two long meetings with an adviser at Halifax, and the charging of a commission was not disclosed to them. Halifax explained that this was a difference between the rates at which it sells and buys currencies. And that all banks will charge a marginal rate.

On a referral to the Financial Ombudsman Service our Investigator agreed that it would have been helpful to explain the marginal rate. However as all banks charge such a rate she couldn't say that Mr and Mrs S would have done anything different they known about the rate.

Mr and Mrs S didn't agree, they explained that they had carried out another transaction with C and had been charged that bank's exchange rate without commission and with only a nominal charge. Had they known about the commission that Halifax charged they would have placed the whole proceeds of sale with C. They believe that Halifax should refund to them the £2,300 difference

The matter has been passed to me for further consideration.

## **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 understand Mr and Mrs S's concern. As they were transferring a substantial sum of money to each bank (but virtually the same amount) they might not have expected such a substantial difference in the rates applied so that with Halifax they received over £2,300 less. I have listened to the recordings of their two meetings at the bank. The question of exchange rates/fees wasn't gone into at either of those meetings. Though Mr and Mrs S are adamant that they were discussed. There were some preliminary discussions that took place before the recordings started, and Halifax accept that there was some discussion about exchange

rates. So I think it's likely that the commission or marginal rates were not discussed.

That said, although Halifax has described it as a commission, and it does have the effect of charging a commission on the sterling amount paid in, the actual difference is between the amount Halifax buy the currency at and the amount it sells it at. All banks and currency exchange companies will charge different rates between buying and selling. Indeed I note that C charges a 4% marginal rate.

Mr and Mrs S say that there is no explanation of the marginal rates in the leaflets they received. Halifax has shown us an extract from its terms and conditions, which is on its website and which sets out:

*"Our standard exchange rate includes a margin. The table below provides an indication of the margin which is the difference between the standard exchange rate and the rate at which we buy and sell currency in the foreign exchange markets (the wholesale rate)."*

The table sets out the current marginal rate, which is a range depending upon the amount transferred. And there is a calculator where the customer can input the amount being exchanged to arrive at the exact marginal rate which will be applied.

The website does give a number that the customer can call to find the current exchange rate, seven days a week. I note that Mr and Mrs S did check the exchange rate online prior to transfer but they tell us this was the banks' (all banks) official exchange rate, not that of the Halifax as they presumed they would receive the official bank exchange rate given the charge written in the booklet. If they referring to the Bank of England's daily spot rate this is for guidance only and it does explain that the exchange rates are not official rates and are no more authoritative than that of any commercial bank operating in the London foreign exchange market.

All banks charge different exchange rates. So I don't think it likely that C or any other bank would set their exchange rate in line with the Bank of England's rate without charging an additional marginal rate.

So while Mr and Mrs S could have been told about the marginal rate, I think this comes down to the difference between what exchange rates the different banks applied at the time. As far as I can see no exchange rates were actually discussed at the meetings except to say that the rates fluctuate from day-to-day. As both banks charge a marginal rate I don't find that Halifax applied any extra charges to the transaction. And as Mr and Mrs S could have contacted Halifax for the rate it was charging on the day, I don't find it was unfair for Halifax to charge its daily exchange rate inclusive of the 1% marginal rates.

### **My final decision**

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 16 October 2023.

Ray Lawley  
**Ombudsman**