

The complaint

Mrs S complains that HSBC UK Bank Plc ("HSBC") debited funds from her account without her permission following a failed money transfer. She says this caused her account to become overdrawn, giving rise to fees and interest.

What happened

Mrs S holds a Euro account and a Sterling account with HSBC. In April 2022, she attempted to transfer funds from her Euro account to the Euro account of a third party using Online Banking. Mrs S says she attempted the transfer three times and a fraud alert was triggered each time. She says she contacted HSBC to confirm that the transactions were genuine but, despite this, none of them completed.

Mrs S says she rang HSBC a fourth time as the transaction hadn't taken place. She says that HSBC told her to change the currency to Euros. She did so and the transaction completed. Mrs S now knows that the currency for the previous attempted transactions had been set to Sterling, which is why they failed. She wasn't aware of this at the time.

Around one month later, HSBC sent Mrs S an email telling her that nearly £1,900 would need to be debited from her account in relation to an exchange rate loss for a cancelled transaction. Mrs S responded, saying there was no payment to be processed and she didn't think there was any fee outstanding. She says she didn't hear any more from HSBC about it. But, in November, HSBC debited £2,636.06 from her Sterling account. This caused the account to become overdrawn. Mrs S says that, when she contacted HSBC to query it, she was told she would hear from the overseas team, but never did.

Mrs S raised a complaint. When HSBC responded, it said that the charge was for currency conversion losses on a payment Mrs S had input into Online Banking on 20 April. This was one of the three failed transactions referred to above. HSBC said that Mrs S had requested the funds to be converted into Sterling. But, as the receiving account couldn't accept Sterling payments, the transaction failed.

The transfer funds had never debited Mrs S's account. But HSBC said it had still completed the currency conversion on its internal account. It said that Mrs S accepted the exchange rate at the time of inputting the payment. HSBC has explained since that, when a rate is accepted, it purchases the currency at that time to guarantee the rate. It said that the funds were converted to Sterling on 20 April, when Mrs S requested the transaction. But, as the payment was unsuccessful, the currency was sold back. So, there were two currency conversions here: one from Euro into Sterling and another from Sterling back into Euro.

HSBC said that, when the funds were converted back into Euro, a loss arose. It said this would normally have been taken from Mrs S's Euro account, but there weren't any funds in that account and it doesn't have an overdraft facility. So it took the funds from Mrs S's Sterling account. It said it tried to contact her to discuss this but never received a response.

HSBC said it had acted in line with its policies and procedures. But it agreed there was room for improvement and apologised for the lack of clarity around the charge being debited from

Mrs S's account. Mrs S wasn't happy with HSBC's response, but it said it couldn't see any reason to reinvestigate the matter.

Mrs S brought the complaint to this service. She said she didn't request the transfer to be made in Sterling. She said that HSBC's Online Banking facility had allowed a transaction to be created which couldn't be fulfilled due to the currency discrepancy. And that she wasn't notified during the online process that she would incur significant fees. She said no fees should have applied anyway, as she wanted to send funds in their existing currency to an account in the same currency; there was no need for any currency exchange. She is unhappy that HSBC charged her for a transaction which didn't take place. And she said it debited the funds from her account without permission.

HSBC said that the exchange rate was displayed to Mrs S at the time the payment was processed. It said she accepted this and confirmed she wanted the payment to be sent. It said it processed the payment in line with her instructions. And that the currency conversion loss has been debited in line with the terms and conditions of her account.

However, HSBC accepted that there had been a significant delay in the funds being converted back to Euro. The payment was cancelled on 21 April, but the funds weren't converted back until the end of October. The loss was debited from Mrs S's account on 7 November. HSBC said that, due to the difference in exchange rates in that time, Mrs S was £701.07 worse off. It offered to pay this to her, as well as compensation of £100. It also refunded debit interest which had been applied to her account as a result of it becoming overdrawn, although Mrs S says that further interest has been debited since.

I issued a provisional decision on 7 June 2023, indicating my intention to uphold the complaint. Mrs S accepted the provisional decision. But HSBC didn't accept it and provided some further comments and evidence for me to consider.

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've considered the comments from HSBC and thought about everything again. But I haven't seen anything which has changed my mind about how this complaint should be resolved. So I'm going to uphold it as indicated in my provisional decision. My reasons are set out below.

It's not disputed that the currency conversion was unnecessary here. But there is disagreement about why it happened. HSBC says that Mrs S requested the conversion to Sterling. But Mrs S says she didn't select Sterling as the currency for the transaction. Having considered all the information from both parties about this, I'm satisfied that Mrs S didn't select Sterling as the currency; rather, HSBC's system defaulted to Sterling because the receiving account was in the UK.

HSBC says it's the customer's responsibility to select their preferred currency for a transfer. It has provided screenshots of the customer journey for making payments using Online Banking. It says Mrs S would have had several opportunities to review and change the currency. But Mrs S says these aren't the screens she saw when she attempted the transfer in April. She says that HSBC has redesigned its system since then. The customer journey for processing payments may be clearer now. But, from the information available to me, I don't think Mrs S was shown these screens when she attempted the transfer in April.

HSBC says that the currency and exchange rate were displayed to Mrs S in the transaction details. It says she accepted these and confirmed she wanted the payment to be sent. The

transaction details I've seen show the transaction amount in Euro. The debit amount shown is the same, also in Euro. This was in line with Mrs S's intentions and what she'd have been expecting to see.

The transaction details also include a figure for "*total to beneficiary*". This figure is shown in Sterling. In a separate section below, called "*FX Details*", an exchange rate is stated. I find it likely that these details were displayed to Mrs S at the time of her instruction. But, even though the *total to beneficiary* figure is in Sterling, I don't think Mrs S would necessarily have known from this that the funds were going to be converted. Her funds were held in Euro and she hadn't actively requested the transaction to be made in Sterling. So, although I think an exchange rate was shown further down the page, I think the information about the transaction could have been clearer. I don't think it's unreasonable in the circumstances that Mrs S didn't realise there would be a currency conversion.

But, even if Mrs S ought to have noticed that the funds would be sent in Sterling, I think the currency conversion could still have been avoided. I think it's reasonable to expect HSBC's system to have recognised that the funds were being sent to another Euro account, particularly as the beneficiary account was also held at HSBC. HSBC says that, when payments are sent to an external bank, it doesn't have the facility or access to confirm the currency of the receiving account. So, it doesn't think it should be expected to check this when the receiving account is within HSBC. But it seems that HSBC did identify the issue in relation to the other two failed payments, as no currency conversion was performed for those. It's not clear why the issue wasn't picked up for this transaction, but I don't think that's Mrs S's fault. Also, Mrs S says she spoke to HSBC's fraud team after she'd initiated the transaction, but they didn't raise the currency issue. I think that was also a missed opportunity.

The transaction was requested by Mrs S on 20 April. It was cancelled by HSBC on 21 April. So the currency issue was identified quickly and the funds never left Mrs S's account. I don't think she had any reason to think there would be any consequences from the failed transaction. But HSBC says it had already converted the funds on 20 April. It says it sold the converted currency back and needs to be reimbursed for the loss it incurred in doing so. It says it contacted Mrs S about this in May but never had a response.

The evidence I've seen confirms that HSBC contacted Mrs S on 27 May. This was more than one month after the payment failed. HSBC says it can't explain this delay. There's nothing to indicate Mrs S was aware before this that any currency conversion had taken place. She's provided evidence that she did respond to HSBC on 30 May saying "*I am confused as there is no payment to be processed, and therefore I do not believe there is any fee outstanding*". The reply she received appears to have been an automated response. She didn't hear anything else until the funds were debited from her account in November. I don't think this delay or lack of response was reasonable and HSBC accepts that Mrs S's concerns should have been addressed at the time.

I don't think any reasonable person in Mrs S's position would have expected to incur a currency conversion loss. She hadn't knowingly requested a currency conversion. The transfer funds never left her account. She contacted HSBC and managed to make the payment successfully a few days later. Nothing was said to her at the time, even though HSBC knew on 21 April that the payment had failed due to the currency discrepancy.

HSBC says that Mrs S is liable for the loss and it's entitled to take the funds. It relies on the terms and conditions of her accounts. Mrs S agreed to be bound by these when opening her accounts. But strictly following terms and conditions won't always result in a fair outcome in the individual circumstances of a complaint. I don't think Mrs S could have envisaged she might owe money to HSBC and incur a loss around six months later due to an unnecessary

currency conversion she wasn't aware of, for a transaction which didn't complete.

I understand that, because HSBC purchased currency and then had to sell it back, it was out of pocket. But it doesn't automatically follow that it would be fair to recover that loss from Mrs S. I don't think that would be a fair outcome in the circumstances here.

Putting things right

I think the fair resolution would be for HSBC to refund, with interest, the £2,636.06 which it debited from Mrs S's account on 7 November 2022. It should also refund all overdraft interest and charges arising from this debit. I think it should also pay Mrs S compensation of £100 for the distress and inconvenience she has experienced.

My final decision

For the reasons above, I uphold this complaint. HSBC UK Bank Plc should:

- credit Mrs S's account with the sum of £2,636.06 ("the Currency Conversion Loss") plus simple interest on that sum at 8% a year, from 7 November 2022 until the date of settlement;
- reimburse all overdraft interest and charges arising from the debiting of the Currency Conversion Loss; and
- pay Mrs S compensation of £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 3 August 2023.

Katy Kidd
Ombudsman