

Currency used when executing an international payment order

Topic: **Payment transactions** Case number: **2017/15**

The client contacted the Ombudsman as she was accusing the bank of being liable for a loss of 618 CHF incurred by her due to the incorrect execution of a payment order. She explained that she had instructed the bank to transfer assets in CHF held in her account to a bank in Morocco. Prior to carrying out the transfer, the bank converted the assets into Moroccan dirhams however without the client's consent and, as a result, the amount was rejected. The client further maintains that her assets were reduced by 618 CHF due to exchange rate losses. After the Ombudsman's intervention, the bank declared its willingness to compensate the client for her loss.

The client explained to the Ombudsman that she had instructed the bank to close her account in CHF and transfer the assets held in it to a bank in Morocco, her country of residence. She took this decision following the introduction of high monthly fees by the bank for clients residing abroad. In fact, because the amount was converted to Moroccan dirhams prior to being transferred, the bank in Morocco returned it. According to the client, the dirhams could not be credited to the recipient account in Morocco as only foreign currencies could be transferred to it. Then, when the funds had been returned, the bank converted them back to CHF again. The client estimated the total loss caused by both conversions at 618 CHF. In her eyes, the bank should not have performed these conversions without being instructed or authorised to do so and was therefore liable to pay the costs thereof.

In its correspondence with the client, the bank stated that it had acted appropriately. It explained that, in the absence of instructions to the contrary, it was standard practice to convert a sum into the recipient country's currency prior to transferring it.

The Ombudsman was not convinced by these explanations. The client, who held assets in a CHF account with the bank, at no point instructed the bank to perform a conversion, she simply asked the bank to transfer the assets in question. In the absence of any corresponding general contractual agreement, or specific instructions from the client in this case, it is difficult to see on what basis the conversion was carried out. In theory, the Ombudsman considered that, for operational reasons, it would be reasonable for the bank to convert sums to be transferred, as standard and in the absence of instructions to the contrary, to the currency of the recipient country and thus to process a large number of transactions without such a conversion proving problematic. However, if this practice causes problems in a specific case, it is not then appropriate, in the Ombudsman's view, to have the client bear the resulting costs. It may be different if the parties had concluded an agreement defining the procedure to be followed in such cases. The Ombudsman therefore recommended that the bank pay the loss incurred as a result of the two conversions done.

In its statement of position sent to the Ombudsman however, the bank maintained its point of view. It argued that the client had not issued any instructions regarding currency and that, as is standard practice, the amount was then converted into the currency of the recipient country. According to the bank, it was the client's responsibility to provide all necessary information when submitting an instruction. Ultimately, however, it declared its willingness to compensate the client for the loss as a gesture of goodwill.

