



Case Study: Banking

BANK MISLED CUSTOMER ABOUT INTEREST RATE

Themes: bank account, interest rate, misrepresentation, lack of communication

Mrs B complained that her bank had not paid interest on her account at the rate she had been promised.

She said that, while she was carrying out a transaction at local branch of her bank, the cashier noted she had a large balance in her account and asked her if she wanted to change to a different account with an interest rate of 7%. Mrs B agreed and a meeting was arranged with another member of the bank's staff for a later date. Mrs B left that next meeting believing that she had opened a new account which would pay her interest at 7% for the rest of the year.

At the end of the year, Mrs B was annoyed and disappointed to see that no interest had been paid. She visited the bank branch. The staff member she met was apologetic but said that the bank did not have an account that paid 7%. The best Mrs B could have received was 6%, but she would have needed to open a separate savings account.

Mrs B asked the bank for the interest which she would have earned – approximately £900 - but the bank did not agree. It gave her £75 as a gesture of goodwill. Mrs B was dissatisfied and referred her complaint to CIFO.

We contacted the bank. It confirmed that it did not have any account which paid 7% interest. It did have a savings account that paid interest at tiered rates, depending on the amount in the account, up to a maximum of 6%.

But it said the account Mrs B opened was merely an upgraded version of her previous transaction account offering no interest. She would have been upgraded automatically to this new account anyway one month after she came into the branch to complete the account change.

We asked the bank for a statement from the employee who had opened the new account, and asked why Mrs B had not been given the terms and conditions for the new account. The bank said that the employee had left. It did not have any notes of the meeting, but it did not think upgrading Mrs B's account was the same as opening a new account. This was why it had not advised Mrs B about the interest rate and the account terms and conditions.

Conclusion

In the light of the available evidence, we concluded that Mrs B had indeed been led to believe that she would receive 7%. It was not unreasonable for her to believe this, especially as she was not given

written details of the new account and the bank's website suggested that it paid between 4% and 8% on its savings accounts, depending on when they were opened.

We concluded that Mrs B should be put in the position she would have been in if the bank had given her the correct information at the outset. If it had, she would have had her money in an account that paid up to 6%, meaning that she would have earned interest of £98. We recommended the bank to pay her that, plus £500 for the inconvenience it had caused her in getting her to open an account that she would otherwise have received automatically. Both parties agreed.