



Case study: Banking

UNFORESEEN CHARGES ON FOREIGN CHEQUE

Themes: foreign deposit transaction, customer service, undisclosed fees and charges, reliance upon verbal representations made by bank staff

The complaint relates to charges taken from proceeds of a foreign draft sent on “collection”. The complainant’s family property in Spain was sold and he received his share totalling EUR 657,233.69 in the form of a bank draft held by his lawyer in Malaga, Spain.

The complainant wished the money to be deposited in Spain through his solicitor based in Malaga. The Complainant’s Jersey Bank instructed him to send the cheque along with a covering letter and advised him what the bank’s charges would be for crediting the cheque. It is important to note that at this stage the Jersey Bank did not mention the likelihood of any other charges being applied such as agent’s or correspondent charges.

C sent the draft with a covering letter and a copy of the deed of sale to evidence the origin of the draft. Upon receipt, the Jersey Bank processed the cheque for “collection”. Here, “collection” would mean the clearing process for a foreign cheque, that is a cheque drawn in a foreign country or in currency. The cheque was then sent back to the Spanish Bank to confirm that it was in order to be paid. Then, they would send the proceeds back to the Jersey Bank. The Agent charges would be taken by the Spanish institution for their part in the clearing process.

The cleared proceeds were received by the Jersey Bank and deposited into the Complainant’s account. An amount of EUR 5,269.86 was deducted from the final proceeds amount as “agent’s charges”. The complainant did not understand or expect such a charge.

The Jersey Bank had to clarify this amount by explaining their fees. They only took EUR 119.03 which was only 0.2% of the total fee amount. This did not explain the most of amount deducted. The Jersey Bank confirmed that many banks will charge for processing cheques and advised the Complainant to contact the issuing Spanish Bank but did not provide any other information or explanation.

When the complainant requested information and advice from his Jersey Bank, they provided him with their cost associated with the cheque collection process. However, they did not mention that there would likely be additional fees taken by the correspondent or agent bank. Had the Complainant been made aware of such fees, he could have made alternative arrangements that likely would have cost him less money.

We concluded that the Complainant had been provided with a tariff of fees by Jersey Bank but that he was not made aware before the transaction was started, either by mail or during his telephone conversation with bank staff, that there could be agent’s charges for the processing of the cheque in Spain. CIFO decided that the Jersey Bank needed to compensate the Complainant for the unanticipated charge of EUR 5,269.86.