



Case study: Banking

DELAYED NEW ACCOUNT OPENING RESULTS IN CONFUSION ABOUT INTEREST RATE TO BE APPLIED

Themes: delayed account opening; interest rate confusion; bank reluctance to compensate for distress and inconvenience

This complaint relates to the delay in opening a new fixed deposit account causing confusion with the interest rate applied.

Mr B opened a fixed-term deposit account with the bank in May 2020 for a term of one year. The interest rate initially advised upon application was 0.96%. Mr B completed the account application and requested a transfer of funds from his other bank to this newly opened fixed-term deposit account. The bank contacted Mr B the same day of the transfer to confirm the interest rate had dropped since his initial application to 0.87%. Although dissatisfied, Mr B continued with the transfer as it was already organised. A few days later, Mr B was notified by the bank that the account had not actually been opened in time to receive the transferred funds; that there was also a one-day delay caused by the transferring bank and the interest rate had again dropped to 0.82%.

Mr B complained to the bank and the bank advised that the interest rate applied to the newly-opened account was the rate at the time the transfer had been received from the transferring bank, suggesting the delay was caused by the transferring bank and not by the delay in opening the new account. Mr B contacted the bank to confirm that the transferring bank had delayed the transfer by one day, but as the account had not actually been opened until the following week, Mr B believed this is what caused the delay resulting in a lower interest rate. The bank confirmed that the interest rate applied to the account was the same as the interest rate from the day the transferring bank had made the transfer. Therefore, the delay in opening the bank account had not impacted the interest rate that was applied. However, the bank did offer Mr B the interest that would have accumulated during the two-day delay in opening the account but did not offer to change the applied interest rate.

CIFO investigated and found the bank's interest rates to be correct and that the delay from the transferring bank had resulted in the lower interest rate being applied. CIFO felt the bank's offer to compensate Mr B for the interest lost due to the delay in opening the account was appropriate and upheld the complaint but noted the compensation already offered for the economic loss was sufficient. CIFO also recommended that the Bank compensate Mr B an additional £30 for the distress and inconvenience he had endured whilst trying to clarify the issue. The bank initially refused to do so, but after further communication with CIFO, credited Mr B's account for the additional £30 of compensation recommended for the unnecessary distress and inconvenience caused.