



Case study: Banking

BANK USES COMMERCIAL DECISION TO DENY PAYMENTS TO PARTICULAR MERCHANT

Themes: Euro denominated debit card; commercial or business decision; poor communication

A customer complained about their inability to make online debit payments to an online European store using a Euro denominated debit card.

Mr Z contacted his primary bank (the one he uses most for his personal transactions) after an online European store payment was declined when he used his Euro denominated debit card. Mr Z's bank initially advised that this was due to an issue with his debit card, then later advised that their policy prevented customers from making online payments to that particular online European store. Mr Z felt that his bank was being untruthful, as he was able to make payments to the same online European store from another bank which was part of the same banking group as his primary bank. Mr Z complained to his bank who referred his complaint to CIFO.

Mr Z complained to CIFO that the bank had provided incorrect advice regarding his debit card and had not provided an adequate explanation as to why online transactions with that particular online European store was blocked by the bank. With Mr Z's permission, CIFO suspended its investigation while Mr Z's bank made a further attempt to resolve his complaint. Mr Z's bank apologised for the poor standard of communication, reiterated that it was bank policy that prevented the payment and offered Mr Z €200 to cover communication costs and for the distress and inconvenience he had experienced. Mr Z declined their offer and referred the matter back to CIFO for review.

CIFO investigated further and found that the complaint related to the bank's commercial or business decision and their risk management policies. CIFO was therefore unable to review the matter. CIFO informed Mr Z that banks often introduce payments-related risk management policies due to intelligence received or after completing an internal risk review, and that bank was not obligated to advise as to why they made these commercial decisions. Mr Z did not accept CIFO's conclusion and added that he believed his bank's policy existed in order to unreasonably restrict CIFO's powers to intervene.

CIFO again re-iterated that it was unable to interfere with a bank's commercial or business decision to block card purchases for certain merchants if they had concerns regarding those merchants. CIFO decided that it was reasonable that the bank imposes restrictions in accordance with its risk management decisions and its processes and policies. Therefore, CIFO did not uphold Mr Z's complaint. CIFO did however, conclude that it would be fair and reasonable under the circumstances for the bank to compensate Mr Z for the distress and inconvenience caused him by the bank's poor communication in this matter.