



Case study: Banking

INCORRECT BANK DETAILS LEADS TO UNRETRIEVABLE FUNDS

Themes: Confirmation of Payee (COP) system; terms and conditions; incorrect payment instructions; recipient authorisation required to return funds.

This complaint related to a complainant's loss when funds could not be recovered from a bank because the bank had been given incorrect payment information.

In August 2021, Mr B's relative died, and Mr B made arrangements to close his relative's bank account and transfer the funds of approximately £5,500 to his own bank account. Less than a week later, Mr B noticed he had not received the funds and contacted the sending bank for more information. The sending bank advised Mr B that he had incorrectly input his bank account number on the transfer instruction but assured him that the error would be fixed. Two days later, the sending bank requested an amendment to the payment instruction.

In September 2021, Mr B was advised by the sending bank that the funds had already been transferred to the incorrect account and the recipient bank would need to seek authorisation from the account holder to refund the money. In October 2021, the recipient bank advised the sending bank that they were unable to obtain the authorisation from the account holder who had received the funds and therefore were unable to refund the money. Mr B complained to the sending bank that it had taken two days for them to send an amendment request, it had taken nearly two months to provide him with any update and they had failed to advise him that it may not have been possible to retrieve the funds in the first place. Mr B also complained that neither bank had contacted the recipient to demand a return of the funds and that both banks had failed to identify the fact that the bank account number did not match the bank account name, meaning both banks had not employed the 'Confirmation of Payee' (COP) system. The sending bank stated that Mr B had quoted an incorrect account number which led to the error. However, they did write to the recipient bank again in October 2021, but the recipient bank confirmed they had already advised Mr B that no funds could be retrieved. The sending bank rejected Mr B's complaint and he referred it to CIFO.

CIFO investigated and initially felt the sending bank should have requested a recall of the funds and not made an amendment to the original payment instruction. CIFO recommended the bank compensate Mr B £100 in respect of this discrepancy. CIFO noted that the sending bank had updated Mr B within a reasonable timeframe upon receiving confirmation from the recipient bank. CIFO also noted that, whilst there was no local legal or regulatory requirement to do so, the sending bank had signed up to the COP system but had not yet implemented this process at the end of 2021. CIFO concluded that the sending bank had made reasonable efforts to attempt a recovery of the incorrect payment in accordance with their terms and conditions but felt that, by advising Mr B the issue would be rectified, they gave him false expectations. Therefore, CIFO upheld the complaint in part and recommended the sending bank compensate Mr B with £100 for the distress they had caused by giving him an unfounded assurance that the money would be recoverable.