



## Case study: Banking

### **BANK'S DELAY IN TRANSFERRING FUNDS LEADS TO COMPLAINANT'S LOSS**

Themes: CIFO 'direction'; branch sort code; transfer delays; nominated account.

This complaint relates to a bank's delay in transferring funds to a complainant's mortgage lender which caused a loss due to additional interest charged, distress, and inconvenience.

In September 2022, Mr C instructed his local bank to make a transfer to his UK mortgage account. Before he did so, Mr C added his local bank account as a 'nominated' account to his UK mortgage account, because his UK mortgage lender would only accept payments from a nominated account. The funds were transferred from Mr C's local account but were rejected by the UK mortgage lender and returned to the local bank. This was because they came from an unknown sort code (a six-digit number that identifies each bank) rather than from the sort code for his nominated account. When Mr C found out, he contacted his local bank to request they immediately make the transfer again, using the correct account details, as soon as the funds came back from the mortgage lender. But the rejected funds did not come back into Mr C's local bank account, and he asked his local bank to investigate.

The following month, Mr C wanted to make further transfers from his local bank account to his UK mortgage account. But because the first transfer was still outstanding, he was concerned that the second payment would also disappear. Mr C again contacted his local bank who told him it had used the correct sort code on the initial transfer, and it could not provide a reason as to why Mr C's funds had not been returned. Mr C's local bank then told him that, in order to make another payment to his UK mortgage account, he should transfer funds from his local bank account to his UK bank account and then transfer the funds on to his UK mortgage account.

Once the missing funds had been located and all funds transferred to Mr C's UK mortgage account, he made a complaint to his local bank. Mr C's local bank offered to refund all payment charges and phone call costs, a total of £200. Mr C rejected this offer and referred his complaint to CIFO saying that, because the funds had been missing for so long, he had not been entitled to as much offset on his UK mortgage account as he should have been. He asked for about £6,500 in compensation for the loss of interest, phone call charges, and a distress and inconvenience award.

CIFO investigated and noted the cause for the rejected transfer was because Mr C's local bank had initiated the original transfer via their UK counterpart who changed the sending bank sort code. This meant that when the money arrived at the UK mortgage lender the sending account details did not match those of the nominated account. CIFO also noted that the local bank's UK counterpart had wrongly held onto Mr C's funds for a lengthy period. Therefore, CIFO upheld the complaint and recommended Mr C's local bank compensate Mr C to the full extent of his claim. Mr C accepted on the condition that the bank acknowledge its error at a senior level. CIFO forwarded Mr C's request to his bank but told him it would be a matter for the bank to decide whether it was prepared to

comply. Mr C's local bank accepted CIFO's recommendation and they provided him with the requested acknowledgment in addition to the recommended compensation.