



Case study: Banking

BANK'S INADEQUATE INVESTIGATION OF A TRANSFER LEADS TO COMPLAINANT'S DISTRESS

Themes: Bankers Almanac; process and procedures; payee details; SWIFT.

This complaint relates to a transfer instruction that was incorrectly investigated by a bank and resulted in a complainant's distress.

In May 2022, Mr V wanted to make a payment overseas to purchase a piece of art. The transaction required Mr V to make a payment to the overseas auction house in their local currency. Mr V completed an online payment instruction to buy the currency from a foreign exchange company and then instructed his bank to send the converted funds to the auction house to complete the purchase. Six days later the payment had not arrived, and Mr V contacted his bank.

In June 2022, although Mr V's payment had still not been returned, he made a second transfer instruction to the auction house. This second transfer also failed to arrive. In July and September 2022, after Mr V's bank had recalled the payments, both were eventually returned. Mr V made a complaint to his bank stating the delays had cost him significant losses due to a fall in the exchange rate. The bank initially confirmed the transfers had failed due to an incorrect account name which Mr V had used when making the online transfer. Mr V disputed this, and the bank said they had assumed an incorrect account name had been used as no other explanation was provided by the recipient's bank. Mr V's bank also advised that once the payments had left the bank they fell outside of their control. Mr V's bank rejected the complaint and Mr V referred his complaint to CIFO.

CIFO investigated and found that the bank had accurately processed Mr V's first transaction but, due to Mr V's bank following an override put in place by the recipient bank which changed the payment routing through a different correspondent bank, the transfer did not reach the desired destination. CIFO also noted that Mr V's bank should have investigated the first transfer issue before actioning the second. Had it done so they may have queried why they had conflicting SWIFT Codes (international bank identification codes) referenced by the recipient bank, compared with Mr V's instruction and what was stated in the Banker's Almanac (an international database providing the most up-to-date payment routing information). At that point, further investigation might have alerted Mr V's bank to the issue and alternative methods to send the second payment could have been suggested. CIFO did, however, note that the bank had instructed both transfers correctly, chased the return of the payments in accordance with their process and were not responsible for the delay in the funds being returned.

CIFO concluded that although Mr V's bank was not the main cause of Mr V's financial loss, they should have more fully investigated the first payment before completing the second. As a result, Mr V suffered substantial distress and inconvenience when the second transfer also failed. Therefore,

CIFO upheld the complaint in part and recommended the bank compensate Mr V £500 for the distress and inconvenience they had caused.