



## Case study: Banking

### BANK'S INABILITY TO ACT ON A TRANSFER INSTRUCTION CAUSES COMPLAINANT LOSSES

Themes: overseas transfer; insufficient payment details; business bank account; intermediary bank.

This complaint relates to a bank's failure to act on the instructions of a complainant who wanted to transfer funds to an overseas account.

In September 2023, Mr S attempted to transfer funds from his local bank account to a business bank account he held overseas using his mobile banking app. The payment was returned because the payment channel was considered invalid. Due to the exchange rate applied by the bank Mr S received back less funds from his failed transfer. Mr S contacted his local bank who agreed to refund the exchange rate difference, but they stated they had acted appropriately.

A few weeks later, Mr S again attempted to make the payment to his overseas business bank account but this time he contacted the bank who processed the transfer on Mr S's behalf. Unfortunately, the transfer was again declined because the details regarding the purpose of payment were insufficient. Mr S made a complaint to his local bank, but this was rejected, and Mr S referred his complaint to CIFO.

CIFO began an investigation and noted that the Mr S's bank could not provide a reason as to why the first payment was not completed, but it believed the issue was with the overseas bank or one of the intermediary banks. With regard to the second payment, CIFO noted that although Mr S's bank had confirmed that insufficient payment details had been provided, this transaction had been processed by the bank on Mr S's behalf.

Before CIFO could fully investigate and provide a resolution, Mr S's bank offered to compensate Mr S £100, along with the difference in exchange rate fees that had been charged for the second payment. Mr S rejected this offer as he believed it was not enough as it should also cover the interest he had lost. Mr S provided evidence of what he could have earned in interest if the transfer had been completed when the first payment request had been instructed.

CIFO fully investigated Mr S's complaint and concluded that the bank had acted in accordance with Mr S's instruction for the first payment and could not reasonably be held responsible for the overseas bank's actions in rejecting the instruction.

In relation to the second payment, CIFO noted that Mr S's bank had already accepted their error and offered to refund the exchange rate fees with an additional £100 for the inconvenience they had caused.

In respect of the interest which Mr S would have earned if the first transfer had been completed, CIFO did not recommend that his bank reimburse him. That was because Mr S's bank was not responsible for the failure of the first attempted transfer. In respect of the second payment, however, CIFO considered that Mr S's bank was responsible for the fact that it had not been completed. It should therefore compensate him for the interest he had lost as a result. However CIFO concluded that Mr S could have moved his money to an interest-bearing account within the period of a month, so he should not receive interest for any longer period than that.

CIFO upheld the complaint and recommended Mr S's bank compensate Mr S £250 for the distress and inconvenience they had caused, the exchange rate fees that had been applied to the second payment, and one-month's lost interest.