

Compensation for a returned international payment

Topic: **Payment transactions** Case number: **2018/07**

From his CHF account, the customer ordered a payment in USD to a Canadian recipient via online banking. The payment was returned by the recipient bank due to incomplete information. Since the recipient bank deducted fees from the amount originally transferred, and since this amount was converted back into CHF by the sending bank, the customer's account was only credited with an amount lower than the sum originally debited by several hundred CHF. The customer therefore accused the bank of breaching its obligations and demanded repayment of the difference between the two amounts. The bank felt that it had executed the payment instruction correctly and refused to reimburse the difference. The customer then referred the matter to the Ombudsman. The latter did not see any misconduct on the part of the bank and closed the proceedings with a response to the customer.

After concluding an agreement with a Canadian provider, the customer issued a payment instruction for the agreed remuneration via his bank's online banking system using the details he had been given by the provider. The payment was in USD and the equivalent sum was debited from the customer's CHF account after a corresponding currency conversion. The customer entered the provider's name and address correctly, but in the field where he should have entered the payment recipient's bank account number, he entered the so-called Bank Routing Number for the recipient bank's American correspondent bank instead of the payment recipient's account number. This meant that the payment could not be allocated by the recipient bank due to the missing beneficiary's account number. It was therefore returned. The recipient's American correspondent bank deducted fees from the amount originally transferred. The customer's bank changed the USD sum received back into CHF and credited it back to the customer's CHF account. The latter therefore had to bear, in his view unnecessary, expenses and suffered a considerable currency loss due to the exchange.

On the one hand the customer considered that the bank had made a mistake accepting and executing the payment instruction. He claimed that the bank should have noticed that the details he had entered were incomplete and should not simply leave its customers alone in such situations. He argued that the instruction should only have been executed by the bank once it had checked that the information was correct. He also complained about his bank's conduct in connection with reversing the transaction. Instead of simply converting the USD amount received back to CHF and crediting it to the account debited, it ought to have ensured that the recipient bank held the instruction as pending and it could have ensured that the missing information was completed, meaning the instruction could have been executed correctly in the end, by means of a simple query.

The bank responded to his complaint in detail. It expressed its regret at the situation that had arisen but maintained that it had not acted in breach of contract in connection with the payment instruction and therefore refused the customer's request to reimburse him for the loss incurred. The customer did not agree with the bank's response and stipulated his claim, and the reasons behind it, in a complaint to the Ombudsman.

After assessing the parties' arguments, the Ombudsman issued a response to the customer. In his view, there was no fault on the part of the bank in accepting and executing the instruction. He

informed the customer that the bank's obligations in connection with payment instructions only extended to executing them in accordance with the information and instructions provided. In this case, the customer had entered a complete and consistent instruction with all the necessary information in the e-banking system. The bank had no way of knowing that the customer had entered the beneficiary's account number incorrectly as it did not know it and was reliant in this respect on the information provided by the customer.

With regard to the supposed fault on the part of the bank in reversing the payment instruction, it was clear from the documentation provided, as is usual when processing international payment instructions, that multiple banks were involved. The customer's bank used an American correspondent bank for USD payments. The Canadian recipient bank also used an American correspondent bank for such payment orders. In this particular case, two different correspondent banks were involved. Only the recipient bank could probably have realised that the account number specified by the customer was incorrect since it must have noticed that it did not have a customer with the account number indicated in the payment instruction. This bank could indeed then have decided to keep the order pending and obtain instructions from its correspondent bank to complete the missing information. It did not do this however and decided to return the payment. Evidently, the customer's bank has no responsibility for this decision which was beyond its control. The fact that, in the absence of any USD account held by the customer, the bank then converted the returned sum back into CHF and immediately credited it to the customer's account is, in the Ombudsman's view, in line with the bank's obligations under the account agreement and is customary practice within the industry.

In summary, the Ombudsman found no misconduct on the part of the bank. He expressed his regret that he could not give the customer better news and hoped his explanations would nevertheless help with understanding the situation.