

Early withdrawal penalty for breach of the withdrawal restrictions for a savings account (1)

Topic: **Fees and charges** Case number: **2021/25**

The complainant represented his son, who had reached the age of majority. He explained that shortly before his son reached the age of majority, he had balanced two youth savings accounts in his son's name and transferred the funds to a new savings account opened in his own name at the same bank. In the process, considerable early withdrawal penalties were charged to his son's accounts, as the notice free limits were exceeded which could have been withdrawn without prior notice observing the applicable notice period. The father complained to the bank in writing and received no reply, whereupon he turned to the Ombudsman. In the course of the ombudsman proceedings, the bank repaid the fees charged to the complainant's son.

The so-called early withdrawal penalties, which the banks charge clients if they violate the withdrawal restrictions for a savings account, are a recurring concern of the Ombudsman. In view of the current interest rate situation, these no longer only lead to a reduction in the interest income for a savings account, but regularly reduce the customers' savings capital, which they find difficult to understand. The banks usually argue that they are forced to charge such non-cancellation fees for regulatory reasons and are not allowed to make any exceptions, as otherwise they would face serious sanctions on the basis of FINMA Circular 2015/2 (Liquidity risks – banks). More details on this issue can be found in the 2016 annual report on pages 16 (in German or French only) and in the case 2016/06 on the Webs

The complainant stated that he had assumed that no fees would be charged when transferring the funds from the youth savings accounts to the newly opened savings account in his name. If the money had not been transferred, a savings account of the same type would have been opened for his son. There had been no outflow of liquidity from the bank in either case. He had explained this to his contacts at the bank. However, they referred to the bank's fee regulations and gave him a negative response. A written complaint against this decision remained unanswered.

The Ombudsman contacted the bank and, as a first step, asked it to respond to the client's complaint. At the same time, he drew the bank's attention to the fact that the FINMA circular in question had since been amended. In margin no. 199.6 it is now specified that such "penalty payments" do not have to be charged if the credit balance withdrawn from the savings account at the same bank is transferred to a passive product with a comparably binding withdrawal restriction and term. He asked the bank to bear this in mind when assessing the client's request, in case any stricter fee regulation of the bank should not take into account this change in the regulatory minimum requirements for withdrawal restrictions.

The bank thanked him for this advice and followed the complainant's reasoning. Despite its stricter fee regulations, it showed itself willing to credit back the early withdrawal penalties charged to the son on his savings accounts.