

The complaint

Ms K and X held a joint account with Citibank UK Limited. They complain that a payment to that account was blocked, and that Citibank did not keep them properly informed about the reasons for that, or about what it was doing to trace the payment. They seek compensation of £1,000.

What happened

Ms K and X are married and live in the UK; they are both UK citizens. They occasionally receive payments from Ms K's father, who is Russian and lives in Moscow.

On 17 March 2022 Ms K's father instructed his bank in Russia to make a transfer of US\$5,000 to Ms K's and X's account with Citibank. When, by early April, the payment had not arrived, X contacted Citibank to try to find out what had happened to it. He followed up on that query on several further occasions.

Citibank wrote to X on 5 May. It said the funds had been held for review. It apologised for the delay in dealing with X's enquiry and offered £50 in recognition of that. Ms K and X did not accept the bank's offer and referred the matter to this service at the end of May 2022.

On 15 June 2022 Citibank wrote to X again. In its letter, it apologised that it had not contacted him and Ms K to request further information it needed to release the funds. It offered a further £50 by way of compensation – which Ms K and X again did not accept. Citibank said it was treating the matter as resolved.

X said however that the matter was not resolved; the payment had still not been received.

In September 2022 Ms K's father – who had sent the money – identified why the payment had not been completed. He has a name very similar to that of a Russian individual who is subject to US sanctions as a result of Russia's invasion of Ukraine. Those sanctions were put in place very soon after the payment instruction was given. The funds had therefore been held by Citibank's intermediary. An application for the release of the funds was made to the Office of Foreign Assets Control, part of the US Treasury. I am not aware whether the funds have been released, although – as I shall explain – it makes no difference to the outcome of this complaint.

By way of further background, Citibank gave notice in April 2023 that it was closing Ms K's and X's account. It said it was doing so as it wanted to focus on clients with complex wealth management needs. This does not however form any part of this complaint, and I mention it as background information only.

One of our investigators considered what had happened and issued a preliminary view. She said, in summary, that she could not ask the bank to complete the payment. She did however think that it could have done more to chase the intermediary and should have kept Ms K and X better informed. She recommended that Citibank pay £250 by way of compensation.

Ms K and X accepted the investigator's recommendation, and provided their new account details, so payment could be made – at the same time making a general observation about the level of awards made by the Financial Ombudsman Service. Citibank did not accept the recommendation, however. It said it was not privy for the reasons for the delay. The case was therefore passed to me for further review.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As the investigator noted, it is not the fault of Citibank that the payment could not be completed. It appeared initially that the sender might be a sanctioned individual, so further checks were needed. That was out of Citibank's control. And I note that the account terms in any event allowed the bank to withhold payments (including receipts) if, for example, it appeared that allowing a payment might breach rules or regulations.

In response to the investigator's view, Citibank said that it would not be privy to the reasons why a payment had been delayed, nor would it know about the progress of the payment. It should not be liable, as this was an incoming payment. I can see Citibank's point here; it was not responsible for any delay, as the payment was held up before it reached Citibank.

However, Citibank did acknowledge delays on its part, both in correspondence with its customers and with this service. In its letters of 5 May and 16 June 2022, it noted delays and that it had not asked for further information it needed from Ms K and X. On both occasions it offered compensation. I do not believe it did so purely as a gesture of goodwill to resolve the complaint; it did so because it accepted it had done something wrong.

Further, Citibank said to this service in a letter of 10 May 2023:

"Whilst we did obtain some information from the client, due to a breakdown in communication this was not passed on to the intermediary bank."

"We accept that the levels of customer service have not met our expected standards, however, we feel that as this complaint relates to an incoming transfer the information required for this to be released ought to have been provided by the remitting bank."

Not all errors automatically merit compensation, and I think it unlikely that Citibank's admitted errors here have made any real difference to the receipt of the payment. Nevertheless, I agree with the investigator that the bank could, and should, have done more to keep its customers informed about what it was doing – even if it was unable to provide as much detail as they would have liked.

Ms K and X were understandably concerned when the payment was not received as expected. I do not hold Citibank responsible for that. I do believe however that Citibank's actions caused them additional distress and inconvenience for which they should be compensated. I don't believe that the offer of £100 in total goes far enough; I agree with the investigator that a total payment of £250 would be more appropriate in this case.

My final decision

For these reasons, my final decision is that, to resolve this complaint in full, Citibank UK Limited should pay Ms K and X £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K and X to accept or reject my decision before 29 November 2023.

Mike Ingram
Ombudsman