

The complaint

Mrs C complains that Citibank UK Limited did not complete a payment from her Citibank account. It was four months before the payment was returned to her.

What happened

On 12 September 2022 Mrs C transferred £2,103 from her Citibank account to a music school, to pay for lessons for her child. She had made payments to the school's account previously, without any issue.

The payment was not received within the usual timeframe of a few days, and Mrs C contacted the bank to see what was happening. Citibank explained that it needed to make some checks, and it sought some further information from Mrs C about the payment. The payment information included the name of the director of the company which ran the school, and Citibank said it needed to know the purpose of the payment and the director's full name and place and date of birth.

Mrs C provided the director's full name and the reason for the payment; she did not however provide their place and date of birth. She said that to do so would be in breach of data protection laws.

Citibank explained that it needed to carry out its own further checks before it could release the payment.

The school chased Mrs C for payment.

Unsure if or when the payment would be completed, on 14 October 2022 Mrs C arranged for a duplicate payment to be made from her offset mortgage account with a different provider. Interest on the mortgage account was charged at 1.39% a year. She explained to Citibank what she had done.

In the event, Citibank did not complete the payment. It returned the funds to Mrs C on 14 January 2023; she then transferred the money to her mortgage account.

One of our investigators considered what had happened. The investigator considered that Citibank's investigation into the payment had taken longer than it should have done and recommended that Citibank pay Mrs C £100 in recognition of the inconvenience to which she had been put, as well as interest at the mortgage rate for the 112 days.

Citibank did not accept the investigator's recommendation and asked that an ombudsman review the case. Mrs C did accept the recommendation, although she thought the compensation figure was too low. The case was therefore passed to me to 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.

It is slightly unusual that the payment information included the name of the director of the company behind the school. I would usually expect such a payment to identify the school and/or the company, but not the individual or individuals behind them. But, because the individual was identified, an alert was triggered at Citibank, which required further checks on that person. In the circumstances, I think that was a reasonable position for the bank to take.

Those further checks included checking the individual's place and date of birth. Given the commercial nature of her relationship with the school, I can understand why Mrs C was reluctant (and very probably unable) to provide that information.

It is not clear what steps Citibank then took to check for itself whether it could complete the payment. Nor is it clear why it took as long as it did, especially once Mrs C had explained that she had made the payment from a different account. Once that had happened, there was no need for Citibank to complete the payment; it had to decide whether to return it to Mrs C.

I do note however that part of the information which the bank had requested – the director's month and year of birth – is freely available through Companies House. The publicly available information also includes a correspondence address. It's arguable that this should have been enough to enable Citibank to make a decision about the payment very much sooner than it did.

For these reasons, I agree with the investigator that the delay in returning the funds was too long and that Mrs C should receive some compensation for that – and in particular for the embarrassment of being chased for payment by the school.

Putting things right

I agree with the investigator that £100 is appropriate compensation for the distress and inconvenience caused in this case. That is a fairly modest sum, but it takes into account the fact that Mrs C was able to make payment from another account and that the delay – while too long – was not excessive.

The investigator also recommended that Mrs C be compensated for any additional interest she had to pay on the £2,103 she withdrew from her offset mortgage account. I agree, but the appropriate period for calculating that interest is from 14 October 2022 (when the payment was made) to 12 January 2023 (when Citibank applied the refund) – that is, 90 days in total. I agree that the appropriate interest rate is the mortgage rate of 1.39% a year. That amounts to £7.21, but I will round that up to £10, to make a total award of £110.

My final decision

For these reasons, my final decision is that I uphold Mrs C's complaint. In order to resolve it in full, Citibank UK Limited should pay Mrs C £110.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 12 December 2023.

Mike Ingram
Ombudsman