

The complaint

Miss S complains about the service she received from Citibank UK Limited (“Citibank”) in relation to her current accounts.

What happened

Miss S holds a Sterling account and a US Dollar (USD) account with Citibank. She has a Citibank debit card, which she says is linked to her Sterling account. In November 2021, she placed two orders with an overseas retailer. Payment was made in USD. Miss S paid with her debit card and both payments were taken from her Sterling account and converted by Citibank into USD. Shortly afterwards, Miss S cancelled both transactions. She says she expected the refunds to be credited back to the Sterling account.

In February 2022, Miss S noticed a credit balance on her USD account. She says this was unusual as the account usually had a zero balance. She discovered that the refunds had been paid into this account. She says that, as a result, a monthly maintenance fee had been applied to the account from December 2021 onwards.

Miss S called Citibank and asked why the refunds had been paid into the USD account. She says she was told she would be called back within 48 hours, but this didn't happen. Citibank wrote to Miss S on 2 March 2022 (the “final response letter”). It said that the refunds had been credited to the USD account because her debit card was linked to that account at the time. Citibank suggested that Miss S enrol her card to its Global Wallet facility to avoid this happening in the future.

But Miss S says the debit card (which has since expired) was only ever linked to the Sterling account. She contacted Citibank and asked again why the refunds had been paid into the USD account. She says she was told again that she would be called back but this didn't happen. Citibank wrote to Miss S in or around July 2022. It said it had raised her concerns with its payments team and would provide an update as soon as it received more information. As it couldn't provide an answer at that point, it offered her £50 as a gesture of goodwill. I understand that Miss S didn't accept this, so it hasn't been paid.

Miss S also raised concerns that certain scheduled debit card payments from her account had been declined in October 2021. Citibank addressed this issue in the final response letter. It said that Miss S's account had been blocked at the time of the transactions. It said this was because it needed an up-to-date tax form from her. But Miss S says she had provided the form and there was no basis for Citibank to block her account.

Miss S wasn't happy with Citibank's response to either of her concerns and brought the complaint to this service. I issued a provisional decision on 25 January 2024 indicating my intention to uphold the complaint and the redress I proposed to award. Both parties accepted the provisional decision.

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 both parties accepted the provisional decision, I'm going to make a final decision on the same terms. The reasons for my decision are set out again below.

Where the evidence is incomplete or inconclusive, as some of it is here, I reach my decision on the balance of probabilities – that is, what I consider is most likely to have happened, in light of the evidence that is available and the wider surrounding circumstances.

I'll look at the issue of the refunds first, followed by the declined transactions.

Refunds to the USD account

It's not disputed that the original payments were made from Miss S's Sterling account, nor that they were refunded to the USD account. Miss S says she didn't authorise Citibank to credit the refunds to the USD account. She says they should have been credited back to the Sterling account. Citibank has offered differing explanations as to why the refunds were paid into the USD account, but it says this wasn't a mistake.

When Citibank first responded to Miss S's complaint, it said that her debit card was linked to the USD account at the time of the refunds. I don't think it was. Citibank's general terms and conditions confirm that Miss S was able to use the card as a debit card in relation to only one account at any one time. Her statements show that, at the time of the relevant transactions, the card was linked to the Sterling account. So, I'm satisfied that it wasn't linked to the USD account at the time. Therefore, I don't find that to be the reason the refunds were credited to the USD account.

During the investigation by this service, Citibank acknowledged that the explanation in its final response letter was incorrect. It provided another explanation. It said that, at the time of the refunds, Miss S's Global Wallet was enabled. It said that, when a Global Wallet is enabled, its system matches transactions to an account of the same currency. Here, the refunds were received from the merchant in USD, so Citibank says they were applied to the USD account.

Citibank says that the Global Wallet was enabled in January 2021. I haven't seen anything which confirms this or shows which party enabled it. But, on balance, I find it likely that the Global Wallet was enabled at the time which is relevant to this complaint. I'll explain why.

Citibank's website explains that the Global Wallet is a feature linked to a customer's debit card which allows them to make purchases abroad without incurring foreign exchange and card commission fees. When it's turned on, the Global Wallet is automatically linked to the customer's foreign currency accounts. This means that overseas transactions will automatically be debited from the corresponding foreign currency account, as long as there are enough funds in that account. If a customer doesn't have enough funds in their foreign currency account, the Global Wallet will debit funds from their primary account instead.

Miss S didn't have any funds in her USD account at the time she made the purchases. So, even though she was transacting in USD, the funds were taken from her primary (Sterling) account and converted to USD. The refunds were subsequently credited to the USD account, giving it a credit balance. The next time Miss S made a purchase in USD, the funds were debited directly from the USD account as it held enough funds to cover the payment. But the next time Miss S made a purchase in USD, there were no longer enough funds in the USD account and the payment was taken from her Sterling account. This indicates that the Global Wallet was on at the time and was working as described on Citibank's website. Miss S may not have been aware that it was turned on, but I find that it was.

On balance, I think the crediting of the refunds to the USD account was due to the Global Wallet being on. But I haven't seen anything in the terms and conditions of Miss S's accounts or on Citibank's website which says that refunds in a foreign currency will be treated in this way. If the original payments had been debited from the USD account through the Global Wallet, I think it would follow that the corresponding refunds would be made to that account. But, here, the original debits were from the Sterling account. I think it's likely that Citibank's system identified the currency of the incoming refunds and matched it to Miss S's USD account. But I don't find that Miss S had agreed to this.

The funds were debited from one account and refunded to another. I haven't seen this approach explained anywhere and, when Miss S contacted Citibank, it couldn't tell her why it had happened. In the absence of any agreement or confirmation that Citibank would treat the refunds in this way, I think it was reasonable for Miss S to assume they'd be credited to the account they originally came from. I think that's what should have happened here.

Miss S says she's out of pocket because the payments into the USD account triggered a monthly account maintenance fee. I find that the account had a zero balance in October 2021 and no fee was applied. The refunds were credited in November and a fee was applied on 1 December and each month thereafter until the account balance was zero again. So, I find that payment of the refunds into the USD account did trigger the monthly fee: it gave the account a credit balance but not one large enough to be exempt from the fee.

I think it's clear from the terms and conditions of the USD account that Citibank will charge a monthly account fee in certain circumstances. The amount of the fee is set out in its Rates and Charges document. I find that Citibank applied the correct fee in line with the terms and conditions. But strictly following terms and conditions won't always result in a fair outcome in the individual circumstances of a complaint. I don't think it would here. That's because the fee wouldn't have arisen but for the refunds and I don't think it was reasonable for Citibank to credit the refunds to the USD account.

Miss S could have transferred the funds to her Sterling account through the Global Wallet without incurring transaction fees. But she doesn't seem to have been aware that she had the Global Wallet turned on and Citibank didn't identify that until after the complaint was referred to this service. In its final response letter, Citibank suggested that Miss S should enable the Global Wallet, which she says she did (for the new card) afterwards. But Citibank didn't give her any details about how the Global Wallet worked or why it might be beneficial here. And she had an ongoing complaint which Citibank said it was investigating with help from its payments team. I'm not aware of Citibank contacting Miss S again to update her, so she referred the complaint to this service. In the circumstances, I think it was reasonable that she didn't move the funds out of the USD account.

I think the fair outcome here would be for Citibank to put Miss S in the position she'd have been in if the refunds had been credited to her Sterling account. The terms and conditions of that account say that, if she receives a payment in a currency which is not the currency of the account and Citibank hasn't agreed a specific conversion rate with her, the payment will be converted by Citibank into the currency of the account at the Citi UK reference exchange rate at the time of the transaction.

I'm not going to ask Citibank to pay the full amount of the refunds into the Sterling account. That's because Miss S made two purchases from the USD account using some of the refunded money. So she has already had the benefit of that money without the need for it to be converted or moved between accounts.

But the rest of the refunds has been used up on account fees. Miss S paid a total of \$49.30

in fees between December 2021 and July 2022 (when the account balance was reduced to zero). I think the fairest way to resolve the complaint would be for Citibank to calculate how much that would have been in Sterling on 1 November 2021 (the date of the first refund) and pay it into Miss S's Sterling account. I don't think Citibank needs to pay Miss S interest on this. That's because the account doesn't pay interest, so she wouldn't have earned any interest on the funds even if they'd been credited to her Sterling account at the outset.

Miss S says that Citibank has been deliberately misleading about the refunds. I think the information it gave her was at times incorrect, inconsistent and confusing. But I haven't seen anything to suggest this was intentional. Rather, I think Citibank didn't know exactly what had happened and offered an explanation which turned out to be wrong. Its suggestion that Miss S enrol in the Global Wallet was particularly confusing, especially as it seems the Global Wallet was the cause of the issue here. I think this illustrates the lack of clarity about how the Global Wallet affects refunds.

Miss S found the situation concerning and frustrating. She had to bring the complaint to this service in order to find out what happened, which prolonged the issue and added to the stress. I think Citibank ought to pay her some compensation for this. It previously offered £50 as a goodwill gesture. But that was before Miss S brought the complaint to this service and while Citibank was maintaining that the debit card had been linked to the USD account. I think Citibank should pay Miss S £100 for the distress and inconvenience caused.

The declined transactions

I'll now consider the issue of the transactions which were declined in October 2021. This arose because of a foreign address recorded on Miss S's account. I find that Miss S asked Citibank to record this as her correspondence address so that she could complete a transaction with an overseas merchant. Citibank's agent explained that Miss S would need to call back after completing the transaction to remove the foreign address. I find that Miss S didn't do this, so the foreign address remained on her file. As a result, Citibank asked her to complete a tax form. I think that was reasonable.

The form was rejected by Citibank because the address details didn't match those on its file. I think that was reasonable. Miss S updated her address and resubmitted the form. But her account had been blocked in the meantime. The terms and conditions of her account say that she must provide Citibank with such information as it may reasonably require from time to time and that, if she doesn't promptly respond to its requests for information, it may block her account. Here, there was a discrepancy between the form submitted by Miss S and the information held on her file. I don't find the discrepancy to have been Citibank's fault. So, I think it was reasonable for it to block Miss S's account while the issue was being resolved.

The block caused inconvenience for Miss S. But it was in place for less than 24 hours and Citibank removed it promptly after the address issue was resolved. I don't think Citibank acted unreasonably, so I'm not going to ask it to do anything about this issue.

My final decision

For the reasons above, I uphold this complaint. Citibank UK Limited should:

- calculate the Sterling equivalent of \$49.30 ("the Sterling Refund") using the Citi UK reference exchange rate which was in place at the time of the refund on 1 November 2021;
- pay the Sterling Refund into Miss S's Sterling account; and
- pay Miss S compensation of £100 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 11 March 2024.

Katy Kidd
Ombudsman