

THE

Mediator

A Publication of the Office of the Financial Services Ombudsman

STANDING ORDERS Pros and Cons

Information courtesy the Financial Ombudsman Service, United Kingdom

What is a Standing Order?

This is an instruction which a customer gives to his bank (usually in writing) to pay a set amount, to a named beneficiary, at regular intervals – either for a specific period of time or until cancelled.

What are Standing Orders used for?

Typically they are used to pay into a savings account, to pay an insurance premium or a loan payment where the amount remains fixed. Customers normally use standing orders to make monthly payments.

How does it work?

At a pre-determined time or day of the month, the customer's bank will send the money to the beneficiary's account. Only the customer can alter the amount and frequency of the payments. The beneficiary can only claim the amount deposited in his account.

What happens if I don't have enough money in my account?

Just as with a cheque, a bank can 'bounce' a standing order if there's not enough money in the customer's account to cover it. Some standing order agreements permit the bank to keep checking the customer's account for the money for up to three (3) months after the payment due date.

Helpful Hint: It will be prudent for holders of standing orders to check frequently with the beneficiaries of the order(s) to ensure that they are receiving the payments and that the correct amount is being paid.

Advantages of a Standing Order

Standing Orders allow a customer to make the right payments at the right times without regular human intervention. If it all works correctly, the customer has one less thing to think about.

Disadvantages of a Standing Order

However, if at the outset, the payment information is keyed wrongly into the bank's system, then payments will be made wrongly and will continue to be made wrongly until someone spots the mistake. Often, it will be the customer, not the bank, who discovers the problem – sometimes many months afterwards, and oftentimes only because the person who was expecting the money has complained that they have not received it.



Ms. Suzanne Roach, Financial Services Ombudsman and Mr. Orville London, THA Chief Secretary meet at Mr. London's office, August 11, 2010.



OFSO OUTREACH

Increasing Public Awareness about the services
of The Financial Services Ombudsman



Ms. Roach and the ladies of The Inner Wheel of St. Augustine, September 11, 2010



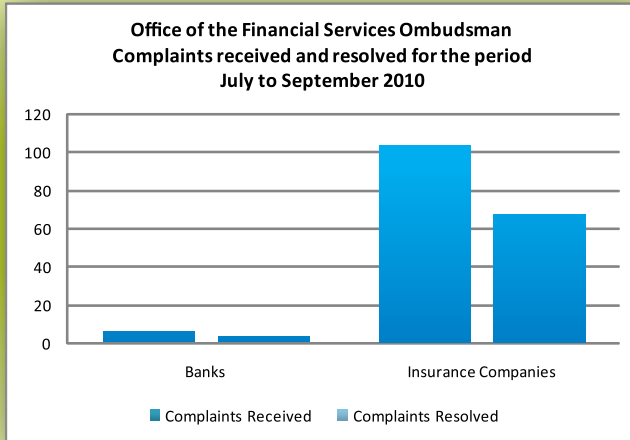
Ms. Roach greets Mrs. Carl-Ann Birchwood James, President of the Tobago Hotels and Tourism Association, September 21, 2010.



The Ombudsman visits TATIL Group at their Head Office, September 23, 2010.



The Ombudsman visits the Nigerian High Commission for their 50th Independence Anniversary Celebrations, October 01, 2010.



	Complaints Received (included b/f)	Complaints Resolved
Banks	6	3
Insurance Companies	103	67
Total	109	70

CASE STUDY

Standing Order

Customer intends to make only 10 monthly payments and complains after bank has made 13 payments – bank says it followed her instruction to pay ‘until further notice’

A teacher, Mrs B, agreed to buy a car from her colleague, Mr M, for a total of £4,000. She gave him £3,000 in cash and arranged to pay the rest of what she owed him in 10 monthly payments of £100. She set up a standing order with her bank to make the payments to Mr M’s account.

It was only after the bank had made 13 monthly payments into Mr M’s account that Mrs B realised that there was a problem. By that time, she’d fallen out with Mr M, because the car had proved troublesome and costly to repair and she didn’t think it had been worth what she’d agreed to pay for it. She asked Mr M to pay her back the extra £300 but he refused.

Mrs B then complained to the bank. She asked it to refund the three payments that she said it had made in error. The bank denied that it had done anything wrong and it rejected her complaint.

The bank told Mrs B that it had known nothing of the underlying transaction, so had no reason to suspect anything might be amiss. The bank said it had simply followed her instructions, and it showed her the standing order form she had completed and signed. This said ‘pay Mr M £100 a month’, and she had ticked the option indicating that payments should continue ‘until further notice’.

Complaint rejected

When she referred the complaint to us, Mrs B maintained that because she knew nothing about standing orders, she’d relied on the bank to help her fill in the form. But the bank statements made it clear that she’d set up standing orders before, and there was nothing to show that she’d asked the bank for any help before filling in the form in question. We concluded that she had probably simply made a mistake when filling in the form and was now trying to blame the bank for her own error. We did not uphold her complaint.

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The Office of the Financial Services Ombudsman was set up by the Central Bank in conjunction with the Banks and Insurance companies to investigate complaints from individuals and small businesses in respect of services provided by the financial institutions.

The aim of the Office is to render impartial and prompt resolution to complaints that customers have not been able to resolve satisfactorily with their financial institutions.

The Office is not a court of law. The process is relatively informal.

The Ombudsman’s decision is based on four basic criteria:

- 1. overall fairness and equity**
- 2. general principles of best practice**
- 3. accepted industry standards and codes of conduct**
- 4. due regard to the law**

The recommendations of the Ombudsman are not binding except when an award is made by the Ombudsman and accepted by the customer.

The customer does not surrender his/her legal rights and is free, at any time, to explore other options for resolution of his complaint including taking the matter to court.

Complaints Process

Scope of Services

The OFSO can consider matters relating to a wide range of products and services offered by the banks and insurance companies. Generally, we will investigate issues such as:

Banks

- Deposit Accounts
- Loan Accounts
- Investment Services
- Trust Accounts
- Mutual Funds

Insurance

- Life policies
- Individual Annuity contracts
- Fire and general insurance
- Third Party Property Damage claims to a maximum of \$ 25,000.00, under a Motor Policy

Complaint Guidelines

Before the Ombudsman office can accept a complaint, the following guidelines should be considered:

- The matter must have first been referred to the institution at which the complaint arose and the complainant is still not satisfied with the outcome.
- The subject of your complaint must have first occurred on or after January 1, 2003 in the case of a banking complaint and after January 1, 2004 in the case of an insurance complaint.
- The complaint must not be related to the institution’s general risk management policies, general rate of interest offered, or the pricing of products and services, such as premium rates, fees and charges.
- The matter must not currently be or have been before the courts or an arbitration body or any other dispute resolution process.

Making a Complaint

- The complaint must be in writing on the prescribed form. (Forms available at our offices or can be downloaded via our website).
- The form must be signed by the Complainant and the authorized representative, if necessary.
- It must state the names and addresses of both the Complainant and the branch of the bank or insurance company.
- The facts pertaining to the complaint must be supported by any relevant documents. Also, you should include the nature and extent of the loss suffered and the relief being sought from the OFSO.

Resolution of Complaint

The Ombudsman Office will assess your complaint to determine whether it falls within its terms of reference. Thereafter, all attempts are made to settle the dispute by agreement between the two parties, that is, yourself and the financial institution.

If no agreement is reached, then a full investigation is launched into the matter leading to the making of a recommendation or finally to an award by the Ombudsman to settle the matter.

The complainant does not surrender his/her legal rights and is free, at any time, to explore other options for the resolution of his/her complaint including taking legal action. In this case the OFSO will consider the matter closed at that stage.

For Further information, you may contact or visit:

The Office of the Financial Services Ombudsman

Located at: First Floor, Central Bank Building, Eric Williams Plaza, Independence Square, Port of Spain

The OFSO Tobago office is located at the THA Conference Facility, Glen Road, Scarborough

Tel: 625-4921 Ext.2685/2681/2675/2650

• Email: info@ofso.org.tt

• Website: www.ofso.org.tt