The Claim:

K&G Bank submitted an arbitration claim against B&B Bank citing breach of warranty for an extended return entry.

Arbitration Case Background:

K&G Bank claimed the following:

– K&G’s Originator, Vacation Express, transmitted an authorized debit to its customer at B&B Bank on April 7th

– B&B Bank returned the transaction R10 (Unauthorized) on May 20th

– K&G Bank requested a copy of the Written Statement of Unauthorized Debit (WSUD) on June 1st and again on June 15th

– B&B Bank did not respond to either request

• Since the damages claimed in this case were more than $10,000, it was classified as an Arbitration Procedure B case and included three arbitrators.

• The arbitrators were provided with documentation from both the complainant and the respondent, which included:

– Summary of the events – Proof of request of WSUD

– Voice recording of the Receiver’s authorization

– WSUD

Arbitrators’ Decision

• After extensive review and discussion of the material, the arbitrators determined the following:

– Even though B&B Bank failed to provide a copy of the WSUD upon request, B&B Bank had obtained a WSUD from its client

– K&G Bank, as the ODFI, was in breach of warranty itself since the documentation and the voice recording of the authorization proved its Originator was not in compliance with the Rules: • The transaction was submitted as a PPD, when it should have been a TEL

• The recorded authorization did not contain the minimum information required by the Rules – Circumstances surrounding the transaction and the Originator’s subsequent bankruptcy filing were suggestive of possible fraudulent activity

Award of Damages

• Based on these facts, the arbitrators’ decision was:

– B&B Bank would reimburse K&G Bank the $250 arbitration filing fee and pay the arbitrators’ stipend since they did violate the Rules by not providing a copy of the WSUD and there wouldn’t have been a case to file had they provided K&G Bank with the WSUD as requested

B&B Bank would not be held responsible for the $10,500 transaction since K&G Bank, as the ODFI, is required to provide general indemnity and therefore would be responsible for its Originator’s entry.