Ross Bank submitted an arbitration claim against Struthers Bank citing improper reversal.

Arbitration Case Background

• Ross Bank claimed the following:

 – Its customer received a PPD credit for remittance of an invoice in the amount of $5,196 with a settlement date of August 12 th.

 – Its customer received a reversing PPD debit in the amount of $5,196 with a settlement date of August 18 th.

 – Its customer was not notified of the reversing entry.

– A representative of Struthers Bank told Ross Bank that the reason for the reversal was due to a Third-Party Sender’s failure to receive funding from the Originator.

• Since the damages claimed in this case were less than $10,000, it was classified as an Arbitration Procedure A case and included one arbitrator.

• The arbitrator was provided with documentation from both the complainant and the respondent, which included a:

– Summary of the events.

 – Recorded voicemail from Struthers Bank stating the reason for the reversal was a failure to fund.

Arbitrator’s Decision

• After extensive review of the material, the arbitrator determined:

– Struthers Bank had violated the Rules for reversing an entry for a reason other than those specified in the Nacha rules.

 – Struthers Bank’s response stated that the reason for the reversal was valid since the transaction in question was not intended for the Receiver.

– However, Struthers Bank’s response did not address or correct the information provided in the voicemail recording where a representative from their financial institution clearly states that the reason for the reversal was failure to fund.

Award of Damages

• Based on these facts, the arbitrator’s decision was:

 – Struthers Bank would reimburse Ross Bank the amount of the transaction ($5,196), the amount of the arbitration filing fee ($250) and pay the arbitrator’s stipend ($100)