Carr's Credit Union submitted an arbitration claim against Sylvan Bank citing unauthorized entries.

Arbitration Case Background

• Carr's Credit Union claimed the following:

– Its customer was a victim of identity theft and had received four unauthorized WEB debits, each in the amount of $1,815.

 – Two Entries were within the 60-day extended return timeframe and were returned as R10 (Unauthorized).

– As the other two Entries were outside the 60-day extended return timeframe, Carr's Credit Union sent Sylvan Bank a request for permission for late return, along with a copy of its customer’s Written Statement of Unauthorized Debit (WSUD).

• Sylvan Bank denied permission to return the two items stating:

– Its Originator, Bartle Inc., had properly authenticated the customer and obtained proper authorization for the transactions, and

 – This was an existing customer who had initiated similar transactions in the past via Bartle’s website.

• 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.

– Correspondence, copies of WSUDs, proof of authorization, screen shots of the Originator’s authentication process, transaction logs and the police report related to the identity theft.

Arbitrator’s Decision

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

– Sylvan Bank was aware of the identify theft and did not provide additional research or follow-up to Carr's Credit Union

– Bartle Inc.’s authentication process requires further review by Sylvan Bank as some of the validation components are questionable:

• Account Created Date was a date after the dates of the transactions in dispute.

• IP Address was inconsistent between the transactions provided as examples

• Two of the validation elements that one would expect to be “true” for accurate authentication were set to “false.”

– Sylvan Bank did not take appropriate action to confirm that the transactions were properly authorized and fulfill its obligation as an ODFI in the ACH Network

Award of Damages

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

– Sylvan Bank would reimburse Carr’s Credit Union the amount of the two transactions ($3,630), the amount of the arbitration filing fee ($250 and pay the arbitrator’s stipend ($100).