

AN ERRONEOUS ENTRY IN A CUSTOMER'S ACCOUNT

Introduction

1. This regulation specifies the procedures according to which banks should act in order to correct erroneous entries in a customer's account, arising from a mistake made by the bank.

This regulation does not deal with erroneous entries caused by a third party, such as crediting an account for salary paid by an employer or making an authorized debit which, according to the debiting or crediting source, was due to an error, etc.

Definitions

2. **"Erroneous entry"** - Any activity recorded by mistake in a customer's account, or which was recorded with a wrong amount or date, or any activity which has not been recorded in the customer's account on the date it should have been recorded.

"Corrective interest rate" - A special interest rate set by the bank for this procedure, and which is identical for both debits and credits. This rate shall be published by the bank in the table of interest rates on deposits, as stated in section 14 of the Banking (Service to Customer)(Full Disclosure and Submission of Documents) Regulations, 5742-1992.

Correction of erroneous entries by the bank

3. If a bank has discovered an erroneous entry in a customer's account it shall correct the mistake according to the correct value, and shall also correct, at the appropriate

values, all the interest-rate entries made in the account due to the erroneous recording.

Debiting or crediting a customer as a result of an erroneous entry

4. (a) If, as a result of an erroneous entry, the customer has acted in his account, or refrained from acting in it, in good faith, and after the correction at the values given in section 3 above were made, the customer claimed or the bank discovered that financial damage has been incurred by the customer as a result, the bank shall debit or credit his account with the relevant amounts arising from the erroneous entry, at the differential due to the corrective interest rate and the interest rate at which the correct calculation was made.
- (b) Below are a few examples of cases in which financial damage could be caused to a customer as a result of an erroneous entry:
- (1) The account erroneously showed a credit balance, and the customer withdrew money that had been credited to his account by mistake;
 - (2) The account showed erroneously that it was overdrawn, and the customer deposited money in his account to cover the overdraft;
 - (3) Due to an error, the account did not show that it was overdrawn, or did not show the correct balance, and the customer did not deposit money to cover the actual overdraft in the account, as he would customarily have done if his account was overdrawn, as stated;
 - (4) Due to an error, the account did not show a credit balance, and the customer did not act in his account as he would customarily have done if his account showed an unutilized credit balance.

The bank must act in accordance with the principles outlined in section (a) in other instances of an erroneous entry in a customer's account, as the circumstances may require.

Notice to customer

5. (a) If a bank has discovered an erroneous entry, it shall inform the customer of the error and of the steps taken to correct it, including the cancellation of debits/credits at the interest rate charged, as well as the amount and rate of corrective interest.
- (b) In spite of the aforesaid in section (a), the bank is entitled not to inform the customer of an error if the amount involved is not significant.

Claims due to additional financial loss

6. It is hereby clarified that this regulation does not intend to violate the rights of the customer or the bank to legal damages, and it should not be made contingent with the customer that payment of interest under this regulation constitute forgiveness of his rights.

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