

The Curia: in case of a bank transfer, the bank is not obliged to verify the data provided by the customer

The Curia has decided in a recent decision that while performing bank transfers, the beneficiary is not a customer of the bank performing the payment; therefore the bank has no obligation to identify the customer.

The beneficiary received money but no performance

According to the facts of the case judged by the Curia, the customer wanted to purchase a truck online, thus he assigned a Hungarian bank to perform a payment to the bank account of the beneficiary specified in the payment order. The bank has transferred the money. However, the truck has not been delivered following the payment. The customer asked for assistance from the bank, and this latter contacted the bank maintaining the beneficiary's account and requested to return the transferred amounts, however it was informed that the transfer has been completed and the beneficiary has withdrawn the amount.

Was the Bank at fault?

The customer claimed for indemnity against the paying bank, namely against its own bank. According to his position, the bank was at fault because in the account relationship between them, it did not act with the greatest care since the beneficiary bank, which can be considered as the contributor of the paying bank, has not verified the accuracy and authenticity of the data of the given account and the account holder. In the published decision, the Curia did not mention which data were incorrect, due to which the transaction failed.

In relation to the legal relationship between the bank maintaining the bank account and the customer given the assignment the Curia held that **the transfer of the bank maintaining the account is completed if the money is transferred to the bank account designated in the payment order.** Furthermore, **the bank may not be required to carry out any further verification.** The customer giving the assignment is solely responsible for the designation of the beneficiary of the payment.

The bank of the beneficiary is not a contributor

The Curia has further declared that the bank maintaining the account of the beneficiary is not the subcontractor of the bank performing the payment order. In fact, it means that the paying bank by performing the payment order does not establish a legal relationship with the beneficiary, namely **the execution of the payment order is completed by the payment to the bank maintaining the account of the beneficiary.**



The paying bank cannot be held responsible because the amount paid after receipt is not credited on the bank account of the beneficiary. **The bank's competence does not include to verify whether the beneficiary can actually dispose of the amount, or the bank of the beneficiary complies with its customer due diligence obligations.**

The beneficiary is not the customer of the paying bank so he does not need to be verified

According to the position of the Curia, under the legislation of Hungary and the European Union, there is no doubt that banks have to follow customer due diligence in respect of their own customers only. It can also be conceptually excluded that the performance of a payment order would entitle the bank to research data regarding the internal legal relationship between the beneficiary and his bank maintaining his account or to verify the customer.

In the view of the above, customers are advised to act carefully when designating the beneficiary in the payment order. However, in case of incorrect data any arising damages shall only be borne by the customer.