

Before the Arbiter for Financial Services

Case ASF 091/2025

JU

(‘Complainant’)

vs

Bank of Valletta p.l.c.

(C-2833)

(‘BOV’, ‘Bank’, or ‘Service Provider’)

Sitting of 25 July 2025

Complainant holds that Bank of Valletta are being unfair to him in demanding closure of all his accounts (5 in his sole name and 2 jointly with others) after giving him 2 months’ notice without giving any proper explanation or reason for such a stark decision.

In his complaint,¹ he states:

‘I have been a Customer of Bank of Valletta since I was approximately 13 years old. I am now 45, meaning I have maintained a banking relationship with BOV for over 30 years. During this entire period, I have always been a loyal and cooperative client.

As of the date of account closure, I held a total of seven (7) accounts with BOV. This includes five personal accounts in my sole name and two joint accounts, each held with a different individual. These accounts have been used to manage both personal and business-related transactions in full transparency and in accordance with all banking requirements.

¹ Pages (p.) 1 - 8 and attachments p. 9 - 12

Over the years, I have also had a number of loans with the bank, all of which I have always repaid in full and on time. I have never defaulted, and I have maintained a clean record of fulfilling my obligations. This further underlines my consistent commitment to operating within the bank's expectations and maintaining a trustworthy financial profile.

Throughout my time with the bank, I have never had any issues or disputes, and I have always responded promptly and fully to any requests for information or documentation. For example:

When I was asked to explain a €XXX,000 deposit, I provided the POS documentation without delay.

When requested to supply a copy of my tax return, I submitted it the very next day.

I have maintained full cooperation with bank staff, including Mr XXX and the XXX branch, whenever clarification or compliance-related queries were raised.

I was extremely shocked and concerned when I received notice that all my accounts would be closed without an explanation. I contacted the bank in good faith to understand the situation, clarify any possible misunderstanding, and request reconsideration, but the bank has declined to engage further or provide any form of reasoning.

Given my long-standing relationship with BOV, my consistent cooperation, my responsible credit history, and my clean financial conduct, I am respectfully requesting the Arbiter's office to investigate whether this action was taken fairly and in line with the principles of good banking practice.

I am more than willing to provide all supporting documents and correspondence upon request.

Bank of Valletta has let me down in the following ways:

Unexplained Account Termination

After more than 30 years as a loyal client, the Bank abruptly decided to close all of my accounts – including personal and joint accounts – without providing

any explanation. This sudden action has caused serious disruption to both my personal and professional financial affairs, including my ability to operate my businesses and meet financial obligations.

Lack of Transparency

Despite multiple attempts to understand the reason behind the decision, the Bank has refused to offer even a general explanation or indicate whether any concern exists. This lack of transparency prevents me from addressing or correcting any possible issue and leaves me in a vulnerable position when applying for services elsewhere.

Failure to Acknowledge My Cooperation and Compliance

I have always fully cooperated with the Bank and responded quickly to all compliance or documentation requests, including:

Providing proof of source of funds (e.g. for a €150,000 deposit).

Submitting my tax return immediately upon request.

Engaging respectfully and promptly with bank staff whenever needed.

Despite this, I have not been given any opportunity to discuss or resolve whatever concern the Bank may have had.

Damage to my Financial Reputation

The closure of my accounts without reason – and the Bank's unwillingness to engage – puts me at risk of being flagged when applying for new banking services, especially when asked if I've ever been refused or had accounts closed. This could affect my ability to run my businesses and meet my legal financial obligations.

Disregard for Long-standing Relationship and Clean Credit History

I have had loans with BOV in the past, and every one of them was settled in full and on time. I have never defaulted or caused the Bank any losses. For this

long-standing relationship to be ended in such a manner – without warning, dialogue, or any explanation – is unfair and deeply distressing.’²

By way of resolution, he seeks the Arbiter’s ruling to force BOV to reconsider their decision to close all his accounts and terminate the banking relationship, or at least to provide a clear and specific explanation for their decision as is due to someone with 30 years’ loyal custom.

He opines that the Bank’s decision must be the result of an error or misunderstanding.

Reply of Service Provider

In their reply,³ BOV stated:

‘Respectfully submits:

1. *Whereas (“the complainant”) complains of the fact that the Bank closed his accounts and terminated the banking relationship with him. In fact, he states “as of the date of account closure, I held a total of seven accounts.”⁴ In this respect, the Bank is respectfully emphasizing that (the Complainant’s) accounts have not yet been closed, but the Bank has sent him a termination notice.*
2. *Whereas this termination notice is dated 24th of April 2025 by virtue of which he was informed that:*

*“the Bank is no longer in a position to provide you with banking services. Accordingly, you are being **given two months account termination notice from date of this letter**, in order to provide you with the opportunity to arrange alternative banking services.”⁵*
3. *Whereas 2 months have not yet lapsed from the 24th of April 2025 and consequently, the Bank has not yet closed the complainants’ accounts, as stipulated above.*

² P. 3 - 4

³ P. 20 - 22 with attachments p. 23 - 49

⁴ P. 3

⁵ DOC.A: Termination letter dated 24th of April 2025.

4. *Whereas, according to the General Terms and Conditions of BOV p.l.c. which regulate the banking relationship between the Bank and (the Complainant), “the Bank may terminate the Payment Service by giving you at least 2 months’ notice.”⁶*
5. *Whereas this right of a Payment Service Provider to terminate a banking relationship with a customer by giving 2 months’ notice emanates from the Central Bank of Malta (CBM) Directive 1 which reflects the Payment Services Directive 2. In fact, article 31(4) of the CBM Directive 1 provides the following:*

“If agreed in the framework contract, the payment service provider may terminate a framework contract concluded for an indefinite period by giving at least 2 months’ notice”.
6. *Whereas none of the above-mentioned terms and regulations obligate the Bank to provide the customer with a reason for termination, as long as it provides the 2 months’ notice. Therefore, the Bank is well within its right to close the Bank accounts of (the Complainant) once the 2 months from the date of the notice lapse. Therefore, it is unfounded for the complainant to accuse the Bank of “unexplained account termination” and “lack of transparency”⁷, since the Bank is not obliged to justify its decision. Moreover, the Bank submits that the decision did not stem from “a misunderstanding or error”⁸ as alleged by the complainant.*
7. *Whereas the Bank has the right to determine whether customers fall within its risk appetite and in (the Complainant’s) case, the Bank has concluded that he falls outside of its risk appetite, for reasons which the Bank cannot disclose. As held by the First Hall, Civil Court in the case reference 465/2015 in the names ‘Mohammed Hanif noe. Vs. Bank of Valletta p.l.c.’, decided on the 6th of March 2023 and confirmed by the Court of Appeal on the 27th of October 2023:*

“huwa m’holli f’idejn il-banek li jiddeterminaw jekk l-attivitajiet tal-klijenti tagħhom jaqgħux fil-limiti tar-riskju li l-bank ikun komdu bihom.”

⁶ DOC.B: General Terms and Conditions, article 5.

⁷ P. 4

⁸ P. 5

8. *Therefore, and in view of the above, the Bank is not obliged to give a reason for termination of the Banking relationship with (the Complainant) and is not in a position to provide him with its services. Moreover, there is no justifiable reason for the Bank to provide (the Complainant) with compensation and no such reasons were provided by (the Complainant).*
9. *Whereas in view of the above, the Bank respectfully submits that the Complainant's claims are unfounded in fact and in law.*
10. *Chapter 555 of the Laws of Malta vests the Honourable Arbiter with the authority to decide a case on the basis, inter alia, of the Complainant's legitimate expectations and what he deems fair and equitable in the circumstances of the case. The Bank very respectfully submits that such element of fairness and a customer's legitimate expectations are founded and pivot on a balance between rights and obligations whereby a customer most certainly has rights but also an inherent obligation to faithfully abide with all terms and conditions.*
11. *The Bank reserves the right to bring oral and documentary evidence in order to substantiate the defenses raised in this reply, as well as to make submissions both verbally and in writing pursuant to the provisions of Chapter 555 of the Laws of Malta to defend its position as outlined throughout the reply.*
12. *The Bank reserves all rights/actions pertaining to it at law and respectfully requests the Arbiter to reject and dismiss the complaint's claims.'*

Hearing

During the hearing of 25 June 2025, the Complainant largely restated his case as explained in the complaint and confirmed that he also holds another business account with another local bank regarding which he has no issues. He was not sure if his accounts with BOV were still open as the 2 months' notice period had expired the previous day, i.e., 24 June 2025.

On their part, BOV re-emphasised that they cannot give more information to what is stated in their reply as the Bank has concluded, for reasons it cannot disclose, that the relationship has fallen outside their risk appetite.

Analysis and consideration

The Arbiter takes into consideration the following points in arriving at his decision based on fairness, reasonableness and equity as he is required to do by article 19(3)(b) of CAP 555:

1. The only right a consumer has to a bank account is that provided by EU Directive 2014/92/EU⁹ transposed into Maltese law by S.L. 371.18.¹⁰ This right is subject to certain conditions and is only applicable to natural persons who do not have any other bank account and is to be used for their personal banking requirements. Business transactions are excluded from the operation of such basic payments account.
2. A Bank is a commercial enterprise and makes profits from servicing its clients. There must be some very strong reason why it should decide to terminate a 30-year-old relationship.
3. By virtue of the financial services legislative framework to which banks are subject, certain information and reasons for actions taken could be restricted from being divulged. It is also up to the bank to determine the level of risk appetite which it is comfortable with as outlined in the Bank's reply.
4. Banks are obliged to give at least 2 months' notice of closure of an account and termination of a relationship but may consider allowing a longer period depending on the circumstances.
5. A decision to close accounts and terminate a relationship should be a last resort decision after all else fails and should be taken with due consideration allowing for exploration of possible less drastic arrangements.
6. In this particular case, no complaint has been received from the other joint account holders of the two accounts also being closed by BOV in the termination of the relationship with Complainant.

⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0092>

¹⁰ <https://legislation.mt/eli/sl/373.1/eng/pdf>

In the particular circumstances of this case, the Arbiter does not have clarity on the reasons why BOV arrived at a decision to terminate a 30-year-old decision which evidently was, until a certain point, acceptable and profitable to both parties.

However, the Arbiter finds it difficult to fault BOV for their scarcity of disclosures, in light of the considerations outlined above.

Furthermore, under the current framework, the Arbiter is not the appropriate authority to pass judgement on matters of such nature.

The Arbiter bears in mind the fact that the retail businesses of a sole owner that deposit cash proceeds, present particular challenges to a bank to ensure adherence to their monitoring obligations under applicable financial services legislation. This matter becomes more challenging if the sole owner enters into joint ventures with third parties in different lines of business which may not fall within the bank's risk appetite.

A bank would have serious challenges to be satisfied that cash takings from a joint business venture are not being channelled through bank accounts of businesses which the bank considers more within its risk appetite.

The sole trader type of business structure, where internal controls and governance standards may be lax given that the sole or joint owners control everything personally without the control systems normally applied under a corporate structure, adds to such challenges as a bank, for example, cannot rely on independent audited financial statements to corroborate the financial transactions.

The fact that the partners of the joint accounts also included in the bank's decision to close the relationship have not come forward to join the complaint signifies their tacit acceptance. There could be a case that such partners have influenced negatively the good view that the Bank had of the Complainant, especially if such partnerships were in a business line for which the bank exacts enhanced due diligence and more intrusive transaction monitoring systems.

Given that Complainant confirmed that he still holds a business banking relationship with a different bank further raises questions which are hard to answer:

1. Is it possible for Complainant to build the relationship terminated by BOV with the other bank so he will not suffer the consequences he fears?
2. On the other hand, is it just a matter of time till the other bank follows in BOV's footsteps?

If the first applies, then the Complainant has little practical problems which need only time to resolve. In a market economy where banks compete openly, some banks would have risk appetite in areas where other banks have none or restricted appetite.

If the second applies, then the problem is not just BOV, but wider.

The criteria of justice, equity, and reasonableness

The Arbiter is aware that case ASF 071/2021,¹¹ stated that the fact that the bank was not free to speak clearly about the reasons why it wanted to terminate the relationship with its customer, still compels the Arbiter to decide according to the criteria of justice, equity, and reasonableness.

While the Arbiter fully agrees with the argument that the criteria of justice, equity, and reasonableness should be the main guide to his decisions, he does not feel that in this case, he should use the same yardstick as in case ASF 071/2021, because:

1. In the meantime, the bank's right not to enter into risks it is not comfortable with was sanctioned by a decision of the Court of Appeal in 2023.¹²
2. In this case, the Complainant has a banking relationship with another bank that is still active.
3. Banks have risk appetite for different economic sectors, considering the Complainant's own and joint accounts held.

However, the Arbiter feels that it was unreasonable for the Bank to give a minimum of two months' time to close the accounts and terminate the

¹¹ <https://financialarbiter.org.mt/sites/default/files/oafs/decisions/232/ASF%20071-2021%20-%20NH%20vs%20Bank%20of%20Valletta%20plc.pdf>

¹² P. 21 - First Hall Civil Court 465/2015 Mohammed Hanif noe vs Bank of Valletta

relationship. In fact, during the hearing of 25 June 2025, the Arbiter asked BOV to postpone the closure until the Arbiter issues this decision.

Decision

For the reasons explained above, the Arbiter hereby dismisses this Complaint and does not prevent or interfere with BOV's choice of risks it is willing to accept in its business.

Nevertheless, the Arbiter feels that in the case of businesses, the Bank should be more flexible in the implementation of its decision and, in this case, feels that it should have given at least six months' time for the Complainant to make necessary arrangements with another bank.

In terms of Article 26(3)(c)(i) of Chapter 555 of the Laws of Malta, the Arbiter hereby orders BOV to postpone closure of the Complainant's accounts at least until 24 October 2025. If the accounts have already been closed, the Complainant may insist on their re-opening until the 6 months' notice expires.

The expenses of these proceedings are to be borne by Bank of Valletta p.l.c. in light of the nature of this Complaint.

Alfred Mifsud

Arbiter for Financial Services

Right of Appeal

The Arbiter's Decision is legally binding on the parties, subject only to the right of an appeal regulated by article 27 of the Arbiter for Financial Services Act (Cap. 555) ('the Act') to the Court of Appeal (Inferior Jurisdiction), not later than twenty (20) days from the date of notification of the Decision or, in the event of a request for clarification or correction of the Decision requested in terms of article 26(4) of the Act, from the date of notification of such interpretation or clarification or correction as provided for under article 27(3) of the Act.

Any requests for clarification of the award or requests to correct any errors in computation or clerical or typographical or similar errors requested in terms of article 26(4) of the Act, are to be filed with the Arbiter, with a copy to the other party, within fifteen (15) days from notification of the Decision in terms of the said article.

In accordance with established practice, the Arbiter's Decision will be uploaded on the OAFS website on expiration of the period for appeal. Personal details of the Complainant(s) will be anonymised in terms of article 11(1)(f) of the Act.

Costs of the proceedings to be borne by the Service Provider

The costs of the proceedings are not limited to the payment of any applicable cost of filing the Complaint with the Office of the Arbiter for Financial Services but may also include any reasonable lawful professional and legal fees paid by the Complainant limited to the acts filed during the proceedings of the case. Such professional fees should not include any extra-judicial fees and charges.

Whilst there exists no tariff about proceedings before the Arbiter nor such aspect is provided for under Chapter 555 of the Laws of Malta, it is being underscored the fact that the Office of the Arbiter for Financial Services is an Alternative Dispute Resolution Entity (ADR Entity). Therefore, the costs of the proceedings before the Arbiter cannot be higher than those prevailing for Court proceedings in Malta but are expected to be lower.

The Arbiter is inspired in this respect by the provisions of Directive 2013/11/EU of the European Parliament and of the Council on alternative dispute resolution for consumer disputes ('the ADR Directive') which clearly state that proceedings before an ADR Entity should *inter alia* be inexpensive so as to encourage consumers to seek a remedy for the solution of their disputes in a manner they can afford.

The ADR Directive insists on the low-cost nature of these proceedings. For instance, it provides that customers should have access to '*simple, efficient, fast and low-cost ways of resolving domestic and cross-border disputes*'¹³ and that

¹³ Preamble (4) of the ADR Directive (EU/2013/11)

‘Alternative Dispute Resolution (ADR) offers a simple, fast and low-cost out-of-court solution to disputes between consumers and traders.’¹⁴

The Arbiter accordingly directs the parties to take cognisance of the said principles listed in the ADR Directive. In reaching an agreement on the costs of the proceedings payable, the parties should accordingly be guided by the principle of a *‘low-cost out-of-court solution to disputes between consumers and traders’*.¹⁵

The benchmarks on fees as legally stipulated for civil procedures in Malta may also provide certain guidance.¹⁶

¹⁴ Preamble (5) of the ADR Directive (EU/2013/11)

¹⁵ *Ibid.*

¹⁶ Tariff E, Cap. 12, Code of Organisation and Civil Procedure