Before the Arbiter for Financial Services

Case ASF 106/2026

UR

('Complainant')

vs

Bank of Valletta p.l.c.

(C-2833)

('BOV', 'Bank', or 'Service Provider')

Sitting of 30 October 2026

The Complaint[1]

Complainant holds that Bank of Valletta have mismanaged his car loan application and he maintains that this cost him damages for which he requested the Arbiter to decide that BOV should formally acknowledge their service error and pay compensation of €1,000 – €3,000 or the higher penalty for the inconvenience, time loss, and consequences (including the impact on his vehicle purchase and sale arrangements)[2].

He explains:

> ***"During my visit to the Bank's Republic Street Branch, I submitted all required documentation and signed the relevant forms in order to apply for a vehicle loan. Following this meeting, I received an email from the Bank's representative confirming that my loan application had been submitted.***
>
> ***After waiting approximately ten days without receiving any update regarding the status of my application, I contacted the branch again and was subsequently informed that the employee***

[1] Pages (p.) 1 – 8 and attachments p. 9 - 24
[2] P. 4

who had handled my application had left the Bank and that the documentation relating to my application could not be located. As a result, I was informed that my loan application had never been formally submitted for processing.

This situation caused considerable inconvenience and placed me in a difficult position. Based on the information provided by the Bank and the confirmation received from the Bank's representative, I had reasonably understood that my application was under review. Accordingly, I had already made arrangements related to the purchase of a vehicle and the sale of my current vehicle.

Furthermore, during my second visit to the branch I was informed for the first time that in order to proceed with the vehicle loan application the Bank would require cash collateral equal to the full loan amount. This condition had not been communicated to me during my initial application despite the fact that all documentation had already been submitted and signed.

For the avoidance of doubt, my concern relates not to the Bank's credit decision itself but rather to the manner in which my application was handled, the internal management of the case, and the communication provided by the Bank's representatives during the process.

I was further given to understand that such requirements may be applied differently depending on the customer's profile, particularly in relation to residency status. This raises serious concerns regarding the consistency, transparency, and fairness of the Bank's lending practices.

In this context, I respectfully request that the matter is assessed also in light of applicable principles of equal treatment and non-discrimination within the European Union financial services framework.

My complaint arises from the mismanagement of my loan application, including the failure to process the application despite confirmation, the loss of submitted documentation, and the lack of communication regarding the status of my case.

Furthermore, I was later informed of a requirement to provide cash collateral equal to the full loan amount, which had not been disclosed during the initial application process. This raises concerns regarding transparency and consistency in the Bank's procedures.[3]"

The Reply[4]

In their reply of 30 April 2026 BOV stated:

"4. Whereas the Bank respectfully submits that, following a thorough review of its lending systems and internal records, no formal loan application was ever registered or processed in respect of the Complainant. The only account identified in the Complainant's name is a deposit account with minimal balances, and no loan proposal was received or recorded. The initial interaction with the branch involved the provision of information and documentation requirements. However, due to the unforeseen job termination of the employee handling the matter, the process was interrupted. The Complainant was subsequently assisted by another employee, who acted in accordance with Bank policy by raising the residency questionnaire;

5. Whereas the Bank wishes to clarify that the requirement for cash collateral is not predicated upon nationality or residency status. All customers, irrespective of whether they are Maltese, EU, or non-EU nationals, are required to complete a residency questionnaire as part of the Bank's uniform credit assessment process. The collateral requirement is determined by the outcome of this assessment and the customer's financial profile, including propensity to save, and is not applied on the basis of nationality. At no stage was the Complainant informed that collateral was required "because he was a foreigner"; this assertion is unfounded and appears to be a misinterpretation;

[3] P. 3 - 4
[4] P. 28 - 30

6. Whereas the Bank denies any allegation of discriminatory treatment. The credit policy and residency questionnaire are applied uniformly to all applicants. The collateral requirement was explained to the Complainant only after the completion of the assessment, and the relevant documents were returned to him upon request. Any confusion regarding the process arose from the initial meeting, where it is possible that the procedure was not fully explained by the first employee;

7. Whereas the Bank submits that upon escalation, the Complainant was promptly informed of the situation and the Bank's requirements. The Complainant was advised that no application had been submitted and that collateral would be required to proceed;

8. Whereas the Bank notes that the Complainant has quantified his claim for compensation in the sum of €1,000 to €3,000, without adducing any evidence in support thereof. In this regard, the Bank refers to the judgment of the Court of Appeal in the names Marks and Charles Limited v. Bank of Valletta plc (267/2006/1) decided on the 26th of February 2026, wherein the Court held that the person who has suffered damage or loss must properly prove not only the damage or loss suffered but also that such damage is the consequential effect of the conduct of the defendant as the person charged with the responsibility for it[5]. In the present case, the Complainant has failed to provide any substantiation or evidence of actual loss or damage, and accordingly, the Bank respectfully submits that the claim for compensation is unfounded and should be dismissed; [6]***"***

[5] *"Dan iġib ukoll il-konsegwenza li l-persuna li tallega li ġarrbet il-ħsara jew dannu trid tipprova kif imiss mhux biss il-ħsara jew id-dannu mġarrab iżda wkoll li dak id-dannu huwa l-effett konsegwenzjali tal-għemil tal-parti konvenuta bħala l-persuna mixlija bir-responsabbiltà tiegħu (ara Giovanni Vella et v. Michael Cilia maqtugħa mill-Qorti tal-Appell fit-23 ta' Ġunju, 2004)."* (*Page 16 of the Judgement)*

[6] P. 29 - 30

Hearings

During the hearing of 26 May 2026, the Complainant largely restated his case as explained in the complaint and confirmed that at the time of the loan application, he already had an account with the Bank where he receives his regular salary. He confirmed that the car purchase price was €26,000, which was to be funded by the loan applied for.

On being cross-examined he stated:

> ***"Asked whether it is correct to say that I have never received a formal approval from the bank regarding the loan, I say that the first representative of the bank that I spoke with told me informally that it was in process.***
>
> ***It is said that I seem to be relying on an email dated 24 February 2026 from DT which states:***
>
> ***'Yes, I have submitted the application. It was sent to the Head Office and usually takes around ten days.'***
>
> ***Asked whether it is correct to say that this did not confirm any approval from the bank's end regarding the loan, I say that when I went to the bank, they gave all the documents and we signed the documents to start the process.***
>
> ***It is said that I never received any formal confirmation, I say, no. I signed the documents and they gave me the table of payments, how I am going to pay the instalments and I signed.***
>
> ***It is said that I proceeded with the vehicle arrangement (page 3 of complaint) without any written confirmation from the bank that the loan was to be granted.***
>
> ***It is said that in page 3 of my complaint, I stated that I had already made arrangements for the purchase of the vehicle.***
>
> ***I say that before applying for the loan, the bank asked me about BYD, about this payment to start the process. I asked BYD about this document and then BOV started the process. I say that for the bank to give the loan, they asked BYD for a document about confirmation.***

The Arbiter explains that BYD gave me a quote. The question is not whether I got a quote from BYD. The question is whether I committed myself to buy the car even though I knew that the loan was still under review.

I say no, they did not confirm.

Asked whether it is correct to state that the arrangement that I refer to is just the quote, I say, yes.

I am referred to what I said in my complaint that I suffered embarrassment.

Asked whether I suffered any financial loss, I say that I promised BYD that I was going to buy the car and they asked for €4,000 as first payment. I was going to sell my other car to get the money.

Asked whether I agree that these arrangements were made before obtaining confirmation of a loan, I say that it was a quote.

I am seeking compensation from Bank of Valletta and an apology because they embarrassed me by refusing the loan.

Dr Raquel Hannah Theuma states that the Complainant needs to provide evidence for this alleged embarrassment.

Asked whether it is correct to state that no one at the bank ever told me that collateral was required because I am a foreign national, I say no, I did not get any information about this. The process is different to foreign and Maltese nationals. I just went and applied. The representative I spoke to quit his job and I did not get this information.

The Arbiter intervenes to state that he understood that at some point in time, the Complainant said that when they told him that they can only approve loan if he puts enough cash as security, they did that because he is not Maltese.

I say, yes, they told me that since I am a foreigner, I have to pay €26,000 to the bank and I will get this loan. For me, this does not make any sense. For Maltese people, they can just give €26,000 like normal.

Asked whether it is correct to state that my complaint is essentially about how my application was handled and communicated rather than a refusal of the loan itself.

I say that my complaint is that as a big bank, BOV's representatives do not know its own rules and make mistakes that lead to some kind of troubles regarding consequences of prestige and loss. And nobody takes responsibility for these actions perpetrated by the representative of your bank. There is nothing like the customer is right because I went as a customer at the end of the day.

The Arbiter explains that a bank has a right to decide whether to give a loan and the terms to give a loan.

So, the complaint is not about the decision of the bank because the bank has a right to give whatever decision they would. The complaint is about the handling of the process because the Complainant did not receive the correct customer service and correct information.

I say, yes.

The Arbiter states that it is clear that the process, and not the bank's decision, is in dispute.

I say, yes.[7]"

A second hearing was held on 01 September 2026, for the evidence of BOV where Abigail Scicluna (Manager, BOV Valletta Branch) said:

"I confirm that the Complainant approached the Republic Street branch regarding a vehicle loan. This was handled by DT, who no longer works at the bank.

When asked to explain what happened when the Complainant later followed up on his request for a loan, I say that Complainant went to the bank again and DT was not at his office obviously because he had left the bank. He was subsequently served by KA who tried to look up the application to follow up after DT, and he did not find the application. Subsequently, he was re-initiating the

[7] P. 32 - 34

application from start, and he was asking Complainant for some documentation which he did not find so he could proceed with the application.

I confirm that there was no formal loan approval or commitment on the part of the bank to grant the loan. There was not even an application, so there was no approval, no sanction letter, and no commitment from the bank with Complainant.

I am being referred to a Residency Questionnaire referred to by the Complainant. I explain that, as part of our credit policy, we conduct a Residency Questionnaire for all our customers, be it Maltese or foreign. This forms part of the application and usually this takes place at the initiation stage of the application. Therefore, when the customer approaches the bank, and decides to take a loan, the first part of the application includes this Residency Questionnaire. It is normal procedure.

I confirm that this is not only completed by foreign nationals. It is done to all our customers, be it Maltese or foreign.

To determine whether collateral is required for a particular loan application, the system gives a score once the Residency Questionnaire is done, and according to the score we apply collateral or otherwise. The score is based on a number of questions in the Residency Questionnaire.[8]***"***

There was no cross-examination by Complainant.

In reply to clarifications sought by the Arbiter, Abigail Scicluna confirmed:

- Between the first and second appointment there was a gap of 15 days.
- Despite the email by DT of 24 February 2026[9], there resulted no evidence of such application having been input into their system.

Final Submissions

In his final submissions,[10] Complainant confirmed:

[8] P. 35 - 36
[9] P. 22
[10] P. 39 - 41

17. ***'The central issue is not whether BOV had to lend me EUR 26,000. The issue is whether BOV handled my application fairly, accurately and within a reasonable time. The evidence shows that my documents were received, a repayment plan and other documents were prepared, my physical file remained at the branch, and I was told through an official BOV email that the application had been submitted to Head Office. I was only later told that the matter had been handled incorrectly and that a cash security condition applied.***

18. ***I respectfully submit that any failure by a BOV employee to create or complete an internal system record was an internal Bank failure. It should not remove the significance of the documents, physical file and official written representations on which I reasonably relied.***[11]***"***

He explained that apart from the embarrassment incurred, he had to fork out a deposit of €4,000 which would not have been necessary if the Bank had approved his loan. He also explained that the alternative financial terms were less favourable than the bank loan.

In their final submissions,[12] BOV explained that irrespective of the wrong information given by DT in his email of 24 February 2026, there was never any commitment to sanction the loan applied for. Consequently, it is unacceptable that any damages are due for not granting a loan in accordance with their credit policies. They also strongly asserted that no discrimination resulted from the Residency Questionnaire which is demanded from all applicants irrespective of their nationality.

They also made reference to the Court of Appeal decision (267/2006/1 FDP 'Marks and Charles Limited v. Bank of Valletta') which confirmed that damages had to be proven by evidence that they were a direct consequence of the actions of the counterparty.

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:

[11] P. 40 - 41
[12] P. 43 - 47

1. It has been accepted that the Bank never issued a commitment to give the loan applied for and that such decision is a prerogative of the Bank.
2. The email issued by DT on 24 February 2026 gave wrong information which probably caused a delay of two weeks for the processing of the loan application.
3. No evidence has been provided about the damages (€1,000 – €3,000) claimed by Complainant. The deposit of €4,000 and the less favourable financial terms cannot be considered as damages since the Bank had never committed itself to the loan. They were merely related to finding an alternative means to finance the car acquisition.
4. The Bank has already admitted its error in processing the loan application as confirmed by DT's email of 24 February 2026, but no evidence of consequential damages has been provided.

Decision

For the reasons explained above, the Arbiter hereby dismisses this Complaint and orders that each party is to bear its own expenses of this procedure.

_____

Alfred Mifsud
Arbiter for Financial Services

<u>Information Note related to the Arbiter's decision</u>

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. Personal details of the Complainant(s) will be anonymised in terms of article 11(1)(f) of the Act.