

By Edward Anyoli

The Commercial Division of the High Court has ruled that Equity Bank Uganda is not liable for the loss of sh34.4m that was illegally withdrawn from a customer's account through mobile banking.

Delivering her decision on November 21, Justice Patience Rubagumya held that the bank could not be held responsible for the loss, noting that the evidence presented did not prove any negligence on the part of Equity Bank.

The bank had appealed, challenging the lower court's decision that had found it liable and negligent. It argued that the chief magistrate erred in holding Equity Bank responsible for the loss of sh34.4m.

Through its lawyer, Fahim Matovu, Equity Bank appealed against the decision of Magistrate George Kunihira, delivered on December 21, 2024, at the Mengo Chief Magistrates' Court.

The dispute stems from a suit filed by the bank customer, Augustine Bamwite Muhindo, who operates an account at the bank's Church House branch on Kampala Road.

Customer loses sh34m fraud case against Equity Bank



Commercial Court building on Lumumba Avenue, Nakasero in Kampala

Court records indicate that between December 22 and 25, 2022, sh34.4m was withdrawn from Muhindo's account through the bank's Eazzy mobile banking platform. He told the court that he only discovered the transactions on January 2, 2023, when

he attempted to withdraw money at the bank's Kasese branch. The court said Muhindo failed to exercise due diligence by promptly reporting the loss of his phone to the bank.

"In my view, considering that Muhindo had not notified the

appellant (Equity Bank) about the loss of his phone and SIM card, the bank's primary mandate was to obey its customer's orders, since it did not have any reasonable grounds for believing that the order was an attempt to misappropriate the funds of the customer. Therefore, the respondent failed to exercise reasonable due diligence to promptly report the loss of his phone and SIM card to the appellant before the contested transactions, and this negligence cannot be attributed to the appellant.

"I find that the learned trial chief magistrate erred in law and fact when he held that the appellant was negligent and acted in breach of its banker-customer relationship with the respondent. In the final result, this appeal is allowed, and the following orders are hereby made," Rubagumya said.

MUHINDO'S CASE

Muhindo said at the time of the withdrawals, his MTN number

registered to the account had reportedly been blocked on December 17, 2022, after he reported his phone stolen. He argued that the illegal debits were a result of the bank's negligence and breach of the banker-customer relationship.

The magistrate agreed with Muhindo, ruling that the bank failed in its duty of care and awarding the customer a refund of the money, general damages, and interest, but Equity Bank appealed against the decision.

BANK'S POSITION

Equity stated that Muhindo "never informed the bank of the loss of his phone," insisting that its system sent one-time passwords to the number during registration, proving the line was active.

It dismissed the claim of negligence, saying the bank's platform allows customers to check account balances using their registered numbers even before completing full mobile banking registration, but does not allow transactions without a personal identification number.