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You are the manager of a small bank branch and have just finished checking the teller's cash at close of business on the afternoon of the last Friday of the month. It is often difficult to follow the usual procedures of two people checking the tills but you have always made sure this basic rule has not been compromised. There has never been any shortage that has not been resolved by the end of the week.

Your deputy, Sally, is now through in the front office, filling the ATM, while you and one of the tellers, Humphrey, place the rest of the cash in the safe through the back. You have never quite got to grips with ATM machines and Sally has ten years' experience so you rely on her expertise. She has trained up a couple of the tellers, so that there can be cover for when she is away, but generally the routine is that Sally deals with the ATM. Of course, the standard procedure, of two people counting the cash before she fills the machine, is strictly adhered to so there has never been any reported problem.

As you and Humphrey are filling the safe, you realise that you have left the petty cash tin through in the front office. You lock the safe and leave him while you go to retrieve it. As you walk in, you see Sally stuff a handful of £20 notes into her pocket, just before locking the ATM. As she realises you are behind her, Sally jumps and goes bright red. You tell her to hand over her keys so you can lock them away, to collect her belongings and to meet you in your office as soon as you have finished the safe with Humphrey.

It is an uncomfortable meeting. Sally returns the cash, amounting to £620, and you are forced to ask her to turn out her bag and pockets. You then sit down together and ask her to explain why she took the money.

It turns out that Sally has been 'borrowing' money in this way, towards the end of each month, on several occasions. She has timed it so that she has been able to replace the money before the ATM was replenished and when the cash was counted in front of colleagues. Hence, no discrepancy has come to light.

Since Sally's divorce last year, her ex-husband has failed to pay maintenance and she has fallen deeply into debt, looking after her three children alone. Finally, she has got a court date and expects that he will be forced to pay over the nearly £7,000 that he owes to her within four months. She has hated taking the money. She had been hopeful that she could see a tidy end to the situation, just when she has been caught.

No other person has known of her 'borrowing' and there has been no loss of interest by the bank since she had only ever 'borrowed' notes. Nevertheless she realises that this is gross misconduct and that you could dismiss her instantly. Losing her job at this stage would mean certain bankruptcy. She has only just managed to hold off her creditors by paying reduced amounts each month and promising to catch up when the accumulated maintenance is finally received.

Sally becomes distraught. She begs you not to dismiss her or to tell your senior management.

What do you do now? Set out the details, explanations and justifications for your decision(s) and proposed action(s).

This case study was originally written by David Molyneaux for the Institute's Hutton Prize for Professional Ethics.