

# Online banking

[Finance](#), [Banks](#)



## Introduction:

This paper takes to the defend the proposition or thesis that people should use the online banking to avoid going to branch and because one can do everything safely now while one sits in the house. This paper attempts to do the defence in by looking at the history of online banking and the problems that came before and after on line banking.

The advantages and disadvantages will be thoroughly discussed the same will be tested using the experience of at least two companies. The result will tell if online banking can be avoided.

## 2. Analysis and Discussion

### 2. 1 The back ground and progress of online banking

Bainbridge (2008) traced the history the concept of online banking dates to the early 1980s, as the first time when it was just a vision and latter experimented with. In practice Presidential Savings Bank may be considered to have taken the first attempt in online banking last October 6, 1995 when the bank made an announcement for the use of the facility its clients. It was therefore 15 years after conception that a bank has braved the expected benefits of the technology.

The 1995 experience however served to become an attempt that had been followed by other banks including Wells Fargo, Chase Manhattan and Security First Network Bank. There is fairly a few numbers of banks that are operating solely via the Internet (Bainbridge, 2008). As to why not all have

adopted the same may indicate some time to adjust or simply the still preference for the more traditional methods of banking.

The inventors who had seen the advantages of online banking had predicted that it would be only a matter of time before online banking completely replaced the conventional kind. Bainbridge (2008) saw the error of the prediction which turned out to be an overoptimistic assessment due to big number of customers who still believe an inherently distrustful part of the process. Thus it should not be a surprise to people not choosing to use many of the much announced facilities of online-banking with their broadcasted benefits due to bitter experience of these people with online frauds, and inability to use online banking services due one reason or the other.

(Bainbridge, 2008)

What has caused the creation of online banking? People just wanted to have better and faster process initially why they produce online banking (Bainbridge, 2008) supported this by his proposition that the main attraction of the practice of online banking is “ the elimination of tiresome bureaucratic red tape in registering for an account, and the endless paperwork involved in regular banking.” Online banking has promised speed with which several processes happen online. Undeniably, there has been increase in the used of online banking as the practice has caused literally a “ boom in the banking industry over the last five years and that there are no any signs of the boom letting up”. It was just beginning then (Bainbridge, 2008).

To prove the expanding use of online banking a total of 55 million families in America is estimated to be active users of online banking by the year 2010.

Because of the exponential rate at which the growth in the number of banks offering the service, it is believed that many American banks will adopt online banking if not competitors would have a bigger share of the market. Bainbridge (2008) acknowledge that the time of his writing there are still many that I do not offer the facility of online banking to customers.

The progress of online banking may be seen by the increasing number of user of the same but despite the risks on security that is associated with the system. However for the next ten years it could not be assumed that everybody will be ready for purely online banking as different countries have different level of technologies and there are banking services that could not be served using online banking. The future of banking is still believed or expected to be moving towards on line banking (Gup, 2003; Macesich, 2000).

## 2. 2 Advantages of on line banking

One advantage of online banking service is convenience. One need not go to branches physically to get money except if one needs to get huge amount on money. The fact that one can transact, pay bills and check balances every day, seven days a week is a thing that could only be done under online banking as compared to other banking system. The accessibility is unlimited since the bank is virtually open as long as one's computer is linked with the Internet. Since the Internet is also global, a bank transaction could be no matter where a person may be around the world.

Scheduling to pay a number of payees' name that one has enrolled or registered with the bank system is also possible in online banking. This has therefore done away the practice of keeping paper bills as one tries to remember when one has visited the bank to make payment. Under online, one has ledger to see on what where the uses of funds and such could prove that payment has been done and it is much better than keeping and checking all over again the paper bills. After the successful scheduling on line, the depositor will just received a computer validation or notice that payment was made in behalf of the depositor (Russell, 2008)

The other advantage of online is faster, more efficient and more effective service than the ATM system (Russell, 2008). The depositor will be a lot better in terms of performing transaction faster transaction. This is in addition to other online service that are not available through other systems as the bank can provide a combination of services linked with one account such as checking, savings, time deposit and even investment services (Levinsohn, 1999; Bielski, 2001).

## 2. 3 Disadvantages

One disadvantage is the loss of human touch between the staff and customers as the customers would virtually be reduced to a thing or number. One cannot discount the joy that depositors get in meeting the staff of the bank. To make things impersonal loses the basis of trust that could be attributed to knowing people by person.

Another disadvantage is that it would be easier to make a wrong transaction through online banking since customers would be left making all the decisions and the consequences of errors will be to their account and not to the bank.

Another downside is that depositors could lose their trust on online banking since security is vulnerable to hackers or that these depositors could actually pressed the wrong keys. Since records are online banks make their policies that online transactions are final. The depositor is however not left without an alternative. One could always keep a transaction receipt (Valentine, 2003; Maude, et. al, 2000) and keep this printed receipt compare the same when the banks make available the online bank statement. The customer then can make complaint online or going to the branch (Russell, 2008).

Furthermore, online banking is difficult to learn if one is not living in this information age and even for some who are used to, starting up can be difficult because one will have to be familiar with a certain banks website. If errors are committed in entering the login or passwords, the banks denies access after a given number of attempts and if still unsuccessful the customer is advised to go the branch to request another password or its equivalents for logging in. Banks address this by offering some banking tutorials and this could be amplified by the use of customer support via chat, phone or e-mail (Russell, 2008).

2. 4 Actual experience or application from banks in relation to advantages and disadvantages discussed.

## 2. 4. 1 The case of Progress Bank

Progress Bank and Trust (or Progress Bank or the bank) offers the traditional benefits of online banking such as being able to manage eligible account from home or any place as long as one can have access to the computer. This includes on-line financial services in the form of obtaining balances and transaction histories on all eligible enrolled accounts, make money transfer between eligible accounts, pay bills to merchants, home equity loans and other eligible loans. It might be noted that there is a requirement for accounts to be eligible to enjoy the benefits of online banking. It would sound therefore that online banking could answer for every banking needs (Progress Bank and Trust, 2008).

Before the benefits of online banking with the bank, there is a need to have an agreement with the bank to use online banking together with its associated risks. There is a need to warrant that customer is legally competent and understood the terms and conditions and acknowledge that the bank may take measures necessary to verify a depositor's identity when one applies for use of its products or services.

Part of agreement is the provision on damages and warranties, where the bank is declared and agreed upon by the depositor wanting to use online banking that the bank will be free from responsibility for any losses, errors, injuries, expenses, claims, attorney's fees, interest or other damages. Said damage may either be direct, indirect, special, punitive, incidental or consequential, that may be caused by the bank in any way that may arise out of the installation, use of or maintenance of one's personal computer

hardware or software. What is painful here the fact that the software referred by the agreement includes any software that may be provided by the bank or any one of its suppliers.

This implies that if the bank will have a good programmer, it could commit hacking on the customers account and the bank would be free from any responsibility (Progress Bank and Trust, 2008).

The bank under the agreement is also freeing itself from any responsibility for any electronic virus or viruses that the customer may encounter after installation of such software or use of the bank (Progress Bank and Trust, 2008).

The bank is also free from any liability to its supplier if the latter fails to perform or could any Losses arising out of an event or condition beyond their reasonable control, which extends to communications breakdown or interruption, acts of God or labour disputes; of if there is the incidental whether by accident or otherwise about the loss, confidentiality or security of any data while passing the Internet, communication lines, postal system or any automated clearing house network.

It is also be part of the agreement that the bank and its suppliers will provide the from their own sites and that they make no representation or warranty for any information, material or functions included in bank that are appropriate for use by the customer's own place or jurisdiction (Progress Bank and Trust, 2008).



The banks advises that a customer choosing to use a bank, that the customer will be doing in his or her own initiative and they will be solely responsible for compliance with applicable local laws and regulations in their own place. The bank and its suppliers do not also warrant the adequacy, accuracy or completeness of any information provided as a part of the bank or contained in any third party sites linked to or from the bank's web site. It further advises that materials on this web site may include technical inaccuracies or typographical errors and that change may periodically incorporate into this material (Progress Bank and Trust, 2008).

The bank also reserves the right to make improvements and/or changes in the products, services and/or programs described in these materials at any time without notice to customers and the bank will consider the continued use of web site after changes to this material as acceptance of those changes (Progress Bank and Trust, 2008). This will leave in effect the customer at a losing end that lost his choice in the first place if he or she will solely use online banking.

Lack of warranties could be an excuse to reduce its liabilities to the disadvantage of the depositor. The bank does not represents or warrants the accuracy, functionality or performance of its online banking on any software that may be used in connection with bank and it disclaims any express or implied warranties, including any warranties of merchantability, fitness for a particular purpose or error-free operation.

Under the banks policy, indemnification by the customers is made part of the agreement and a possibility does exist that that the customer the shall

defend and hold the bank liability free include the latter's officers, employees, directors, suppliers and agents, in their individual capacities or otherwise if any and all damages, liabilities, losses, costs or expenses arising out of customer's negligence failure to comply with applicable law; or failure to comply with the terms of this agreement on the use of online banking (Progress Bank and Trust, 2008).

The bank has also the residual right to terminate the online banking contract or impose charges, fees or other terms described in its agreement that was approved by the customer before one can enjoy online banking (Progress Bank and Trust, 2008).

This sound unfair and the customer would be left with no choice if he or she has chosen only online banking.

The particular bank referred in this paper require would be users of online banking to submit to the jurisdiction under the laws of the State of Alabama, U. S. A., and US federal laws and that whoever want to make a complaint against the bank shall do so under the proper venue which the bank has required under the agreement which is in a state court of competent jurisdiction covering Madison County, Alabama, U. S. A. (Progress Bank and Trust, 2008).

#### 2. 4. 2 The separate case of Northern Rock.

What would be done if access is restricted by the bank? Will one be able to do it online? Wallop (2007) cited the case of a big number of Northern Rock's customers who had accused the bank of restricting access to its

website and slowing down the billions of pounds being withdrawn from the bank. There were reports that Northern Rock's system had repeatedly crashed over several time and that the moment customers could get online, it was found that a big number of depositors took repeated attempts to conduct their transactions with the bank for fear of not being able to do the next time around (Wallop, Harry, 2007).

The bank could in turn invoke the defence of slower servers in case there is slowing down for withdrawal. The case of Northern Rock has show as per internet traffic monitoring that visits to the bank's internet site were more that the ordinary reaching about three times and the same has demonstrated an unprecedented increase in customer numbers which eventually caused the servers and Northern Rock's software not to be to respond accordingly with efficiency and effectiveness (Wallop, 2007). This would sound contradictory to what is claimed as benefits of online banking.

Wallop (2007) also cited a case where an employee of IT section of Northern having admitted that they (the employees) have been told to deliberately limit access to online accounts in attempt to stop customers withdrawing their cash. If the bank will do this the same could not readily notice since the bank could always justify that it is beyond its control and that it will not pay because of provision in the agreement that the bank will be held harmless if it is beyond control because the servers happened to have slowed down "beyond their" control because they failed to anticipate while in truth an in fact such representation is false.

### 3. Conclusion:

Online banking cannot really be avoided because of the better and faster service. However, the thesis earlier stated should be modified in the light of pieces evidence discovered in this research. At present there are still many limitations of on-line banking and the same could not be applicable to many people. For certain transactions like payments of scheduled transaction when enrolled in the banks system on line banking, transfer of funds from one account to another account or from one bank to another bank, on-line banking could be said to have attained a certain level of safety and security but these are not yet full proof because of the risks associated in using the net including Virus problems and online security problems. Moreover, in case of error committed online banking cases would be properly settled in papers and in person. This is based on the premise that when rights will have to asserted up to the level of the courts online pieces of evidence would be less convincing than physical evidence.

There are indeed many advantages of online banking due to more convenient, faster and more effective service but the warnings should not be disregarded. The verification of the advantages disadvantages of the banks name Progress Bank and Northern Rock revealed a great warning that bank customer must know before they are ready to enjoy the benefit of online banking as already explained. The customer will have read the bank policies of other banks and he or she will find out that said policies of Progress Bank are normally or similarly used. This means that the bank would in the end be free from liabilities when in fact it could create software by itself or in connivance with its suppliers or any third part to get the customer's money and the customer could not do anything because the apparent agreement.

The case of Northern Rock is a proof the bank could actually order the slowing down of its servers and customer may not know it at all it was deliberate. For many who wants simple life and are comfortable with bank security online banking is always a good option for them. For others however who are averse to risk of online banking and are more conservative than other, online banking may be a little more complex and utter intimidating. For the banks who realize that they are serving different customer segments, where some are risk takers and could be ready to exchange the same with faster and more efficient online banking service, the bank could take care of them and therefore should allow online banking to be part of its offerings. For those risk-averse individuals and entities however, the banks could still maintain some of the more traditional service of banking like the ATM and credit card system and even manual banking especially for those involving immobile and big amounts of money.