

## Royal Bank of Canada faces class action lawsuit after software upgrade problem

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The Royal Bank of Canada (RBC) had a system outage in late May / early June 2004, after performing a software upgrade. As a result, millions of customers were inconvenienced when their transactions did not reflect in their accounts for up to a week. Now the Quebec Superior Court has ruled that a class action lawsuit relating to the outage may proceed.

According to the Canadian Broadcasting Corporation news website, many customer transactions (deposits, withdrawals and payments) on the Monday, 31st May and Tuesday, 1 June were not recorded in customers accounts on those days.

As a result, many customers would have incurred interest and late payment charges and customers of other banks would also have been affected as payment from RBC customers would not have come through when expected. While the incident would have been a major problem at anytime, it was certainly made worse by the fact that it happened on payday for millions of Canadians.

At the time of the incident, RBC indicated that all transactions should reflect in customer accounts by the Thursday, but it actually took until the following week for the banks to catch up with the backlog.

The main plaintiff in the case, Nicole Bergeron, is seeking payment for the charges as well as \$200 for the inconvenience caused and a further \$200 in damages. Considering that it is estimated that there could be up to 2.5 million affected customers, in theory the claim against the bank could total 1 billion dollars.

While it is common for companies to suffer damage to their reputation after a major IT disaster, it is rare for outages to incur the potential monetary cost of this incident. In addition to the potential costs relating to this lawsuit, the Royal Bank of Canada had staff working around the clock to catch-up on the backlog, extended their branch opening times the weekend after the incident and took out full page advertisements to apologise for the incident in national newspapers at the time of the problem.

While even a well prepared disaster recovery plan may not have prevented this happening, there are still lessons to be learnt and questions to be raised around why the bank allowed what must have been a major software upgrade to take place at month end, which is surely the busiest time of the month for banks.

### EXTERNAL LINKS / ARTICLES:

[Bankwatch Blog - RBC computer woes spark lawsuit totaling 1 billion dollars](#)

[Canadian Broadcasting Corporation - Timeline: Royal Bank Computer Problems](#)

[Lawyers & Settlements - Lawsuit brief and form to submit a claim](#)