

Who Took the Safe Out of Safe Deposit? *(Renter Sues for \$7,000,000 Loss)*

Over the past few years, because of mergers, downsizing, automation and many other reasons, the traditional safe deposit service has received a complete makeover in some large financial institutions. This makeover is called SELF SERVICE (a.k.a. Self Entry).

How it Works

Self-service systems vary in styles of operation, but they share some very troubling commonalities. Here are two examples. In one, the consumer, armed with his plastic card, his PIN number and his safe deposit box key accesses both the vault area and his box. A second version is the “palm entry” system. Like fingerprints, all palm prints are unique. A palm recognition device “reads” the consumer’s palm, and he is subsequently admitted into the vault area and his safe deposit box.

Fallacies of these systems are consistent.

- No signed entry record is provided, and no signature verification is performed.
- The consumer is not accompanied into the vault by an employee who, while using a guard key, would normally assist in opening the box.
- Only the consumer’s key is needed to open the self-service box.
- There is little accountability on the part of the financial institutions that historically have assumed the ultimate responsibility for the security of their renter’s valuables.
- Self-service systems can, and have been compromised by criminals with the ingenuity and expertise to breach these unique operations.

Time bomb ticking

Experts have always described self-service as a lawsuit waiting to happen. Ask one unfortunate bank that learned this lesson the hard way. A burglar, using a stolen safe deposit key, accessed the victim’s box and stole jewelry, bonds, rare coins and many other items valued at seven million dollars. Predictably, the distraught consumer sued the bank for this amount. Even more unfortunate was the reality that the bank only carried one million dollars in safe deposit liability insurance. Much to the bank’s dismay, their insurance company refused to honor any of the claim because the bank’s alleged deposit operation did not subscribe to “reasonable commercial standards.” This new self-service system has now let down both the consumer and the bank, with disastrous results.

In a rush to “cut costs,” financial institutions are attempting to streamline safe deposit by eliminating the positions (thus the salaries) of personnel who are charged with guarding the integrity of the system. Stemming from this “cost cutting” mindset, a unique question was posed to me recently by a safe deposit provider: “If we remove the word “safe” from our safe deposit operation, will this limit our liability?”

My response was, “A rose by any other name is still a rose.” Changing the name of the service will not reduce your safe deposit liability.

Solution to problem

Institutions, who are looking for ways to reduce their liability and operating costs, should be more concerned with employee training, proper procedures, correct legal forms and documentation and the many other elements that will be examined closely if they ever go to court. Also, in some states, regulations govern the name, title, definition and what language must be used to describe this safe deposit service to consumers.

Safe deposit put to the test

If you are not sure how safe your safe deposit area really is, taken a moment to answer the following ten safe deposit audit questions. If you answer “yes” to a majority of them, this indicates that you have a secure department. If any “no” answer is given, you may have some hidden safe deposit liabilities that you are not aware of.

1. Are your full time and relief safe deposit employees properly trained and knowledgeable of all state regulations and correct internal procedures?
2. Do you have written, approved and up-to-date policy and procedures manual covering your institutions safe deposit operation?
3. Is there a carefully worded sign displayed in the safe deposit area that clearly states that you do not insure safe deposit contents?
4. Are all safe deposit renters strictly prohibited from staying in the vault alone?
5. Are renters’ keys always removed from the door and returned to the renters while they are viewing their box contents?
6. Are privacy rooms available outside the vault for renters to view their box contents?
7. Are locks rotated or tumblers reset on all closed boxes before they are rented again?
8. Has your safe deposit rental lease been reviewed within the past two years to determine if you are in compliance with all state safe deposit regulations?
9. Is a copy of your rules and regulations and a “no insurance” disclosure statement provided to all new renters?
10. Are all employees and officers trained not to use words like waterproof, fireproof or burglarproof when referring to your safe deposit vault security?

In conclusion

How did you do on the test? If you answered all the questions “yes,” congratulations! If you had any “no” answers and would like to find out how to improve your operations and reduce your potential liability, a complimentary safe deposit audit package is available to you. Simply contact David McGuinn at 713-937-9929 or email to sdspec@aol.com to request this valuable audit/compliance information.

About the Author: David P. McGuinn, President of Safe Deposit Specialists, is a former banker and is often referred to nationwide as the safe deposit GURU. In all 50 states he has trained over 200,000 safe deposit personnel since 1969 and has served as President of the American Institute of Banking and the American, Texas and Houston Safe Deposit Associations. He has created numerous safe deposit manuals, training videos, products, compliance forms and other products. During the past 35 years, McGuinn’s safe deposit manuals, videos, products and forms have been recognized as the national standard for the financial industry.