

Citigroup Inc

Revlon error forces Citigroup to slash profits by \$323m

Bank restates fourth-quarter earnings after losing bid to recover funds sent out by mistake



Citigroup mistakenly sent \$500m to creditors of its client, the cosmetics company Revlon © Reuters

Laura Noonan FEBRUARY 27 2021

Citigroup revised down its fourth-quarter earnings by \$323m after suffering a loss in its legal battle to recoup funds it accidentally sent to creditors of its client Revlon.

The US bank had hoped to claw back \$500m it [mistakenly sent to lenders](#) to the cosmetics company, but a federal judge shot down that bid on February 16.

Citi said on Friday that it had retrospectively added \$390m of operational expenses to the fourth quarter's accounts to cover "operational losses related to certain legal matters" which the bank received "new information on" after the end of the year.

In August Citi had intended to send about \$8m in interest payments to funds that had lent \$900m to Revlon to finance its acquisition of rival Elizabeth Arden. But due to what Citi labelled an "operational error" involving incorrect inputs to payments software, the entire principal and outstanding interest were paid.

Several funds refused to return the money, despite Citi quickly asking for it back. A federal judge [found](#) that under New York law the lenders were not required to do so, as long as there was no deception involved. After the judgment, Citi said it intended to appeal and would seek a "complete recovery" of the funds.

The mistaken payment may have contributed to a \$400m fine banking regulators levied on Citi in October. Regulators found that Citi had neglected to correct longstanding deficiencies in its risk and control systems, and ordered an overhaul of its technology in those areas.

The bank, which next week passes to the leadership of new chief executive [Jane Fraser](#), took an extra \$390m of costs in the fourth quarter, reducing after-tax profits by \$323m, according to documents filed with the Securities and Exchange Commission after Friday's close.

Citi's final fourth-quarter profits came in at \$4.3bn, lower than the almost \$5bn it made a year earlier.

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