

## **The complaint**

Mr A complains that Nationwide Building Society mishandled a chargeback claim and as a result caused him financial difficulties.

## **What happened**

Mr A came across a broker I'll refer to as 'G' online. G persuaded him to invest £5,000 (using his Nationwide Visa debit card linked to his current account) with a regulated investment company I'll call 'I' on 5 December 2019 and he was provided with an online trading account. Mr A was subsequently blocked from his trading account and when he eventually regained access, he had lost all his money.

In June 2020, Mr A asked Nationwide for assistance with recovering his money via a chargeback claim. Nationwide attempted a chargeback claim and temporarily credited the disputed amount to Mr A's account whilst it disputed matters with I's bank. Mr A said Nationwide advised him the money was his to keep (a point disputed by Nationwide) and he proceeded to spend it.

A few months later, Nationwide advised Mr A that the chargeback claim had failed because I's bank defended it. It re-debited the temporary credit, which took Mr A's current account into an unarranged overdraft. Mr A complained.

Nationwide issued its final response in November 2020 explaining that it advised Mr A when he first contacted it that a credit would be temporary if the claim was refuted. Nationwide stated it could have reminded him the claim was still ongoing when he called it in August 2019. It also reflected on Mr A's chargeback claim and noted it shouldn't have processed it from the information he provided. And it acknowledged the dispute being processed would've given him false hope. It paid him £250 compensation to recognise the trouble and upset this matter caused him.

Mr A referred his complaint to this service. One of our investigators initially felt that Nationwide should set up a repayment plan over 24 months to assist Mr A with repaying the outstanding debt and remove any adverse information recorded against his credit file as a result of the debt. Nationwide was open to a repayment plan but said the investigator's view was unworkable, it said it would still need to report the debt as being in arrears on a monthly basis and it would require manual adjustments which was unrealistic. It instead suggested that it could remove the adverse information once Mr A has repaid the debt.

The case was passed to a new investigator who didn't think that Nationwide should do anything differently, she concluded I weren't scammers and Nationwide's offer of compensation was enough. Mr A didn't agree, he said his credit file had been impacted and asked for an ombudsman to review the complaint.

I wrote to Nationwide and Mr A with my thoughts that the complaint should be upheld in part, that Nationwide should refund interest and charges applied to Mr A's overdrawn balance, come up with a repayment plan agreeable to both parties and remove adverse information

recorded on Mr A's credit file. I also explained that I thought the compensation paid should be increased to £500 in total to reflect the impact this matter has had on Mr A.

Nationwide replied and explained that the matter of Mr A's credit file had been dealt with as a separate complaint recently. It agreed as part of that complaint to pay Mr A £150 compensation and remove all adverse information reported on his credit file from December 2020. Mr A also repaid the debt. Nationwide provided notes of that conversation where Mr A confirmed he was happy with the outcome and for that complaint to be closed. Nationwide was happy for this service to consider its settlement of Mr A's credit file complaint as part of this existing complaint. It noted it had already followed most of the actions in my proposed settlement and would agree for a total of £500 to be paid (meaning it would pay an additional £100 to settle this matter).

Mr A was broadly happy with the outcome but he felt the compensation should be increased because this matter shouldn't have needed to be referred to this service and it has taken so long for it to be resolved which caused him trouble and upset.

### **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I uphold the complaint in part and I'll explain why:

1. Chargeback is a voluntary scheme run by Visa (the scheme relevant to Mr A's debit card transaction) whereby they will ultimately arbitrate on a dispute between the merchant and customer if it cannot be resolved between them after two 'presentments'. Such arbitration is subject to the rules of each scheme — so there are limited grounds on which a chargeback can succeed. Our role in such cases is not to second-guess Visa's arbitration decision or scheme rules, but to determine whether the regulated card issuer (i.e. Nationwide) acted fairly and reasonably when presenting (or choosing not to present) a chargeback on behalf of its cardholder.
2. The only chargeback dispute 'reason code' suitable for Nationwide to consider in Mr A's case would have been reason code 13.5. This was available for investment trading disputes where the merchant (I) prevented the cardholder (Mr A) from withdrawing his available balances from his trading account.
3. I think Nationwide tried to assist Mr A by processing a chargeback claim for him (given his concerns that he had been scammed) but it acknowledges that based on his original report, it shouldn't have processed it and this gave him false hope that his funds could be recovered. I've listened to Mr A's initial call with Nationwide on 5 June 2020 and I heard him explain he paid £5,000 to an investment company and after a few months his balance went to zero. The adviser paused the call for a while whilst she looked into things and returned to say the following to Mr A: *'funds will not be credited to your account until we have reviewed the evidence'*. The adviser went on to say; *'if the company provides evidence that the disputed payment is genuine, we will make you aware of this and will let you know that we will be debiting our credit from your account.'* Mr A explained it was his first-time falling victim to a scam and trying to recover his payment this way and asked for advice on how it works. He also asked if he should submit Whatsapp conversations as evidence. The adviser told Mr A he should provide as much information as possible but she later said she can't advise what will happen as his evidence will need to go to a specialist team. I agree that based on this call and the limited chargeback grounds suitable for investment trading disputes that Mr A volunteered enough information for Nationwide to conclude that

he might not have chargeback dispute options as he had a nil balance on his trading account. Though, I accept the adviser said it would have to be reviewed by a specialist chargeback team, so she may not have known in detail what could likely succeed or fail as an investment dispute claim and I don't think Mr A was misled at this point.

4. Mr A called Nationwide on 19 August 2020 (after receiving a credit of £5,000 into his account). Nationwide in its fraud notes suggests that this is the date he submitted all of his chargeback evidence. I'm not persuaded of this. During the call of 5 June 2020, Mr A was told that he would need to submit the evidence within 28 days or the claim would be closed, so I'm persuaded he'd submitted the evidence in good time. In the call of 19 August 2020, Mr A advised that he'd received a credit of £5,000 into his account and wanted to check that it was in relation to the chargeback dispute he submitted months earlier. The adviser informed Mr A that the credit was from Nationwide and confirmed it was in relation to the dispute. There was no mention that the funds could be re-debited and I think Mr A sincerely believed that his claim had been successful as it had been sometime since he raised his dispute. It's from this point that I think Nationwide ought to have provided clear information about the temporary credit and that the chargeback claim was still ongoing – something Nationwide acknowledges.
5. Nationwide wrote to Mr A in October 2020 to explain the funds would be re-debited within 22 days as the merchant confirmed the payment was valid. It's unclear under which reason code Nationwide processed the dispute but I think when the specialist chargeback team reviewed Mr A's evidence, it ought to have concluded that the claim had no reasonable prospect of success given that Mr A's only reasonable chargeback option required him to have an available balance – which he didn't have. Even if Nationwide wanted to attempt a chargeback claim to assist Mr A, I think it ought to have better prepared him that a claim was unlikely to succeed. By his own admission to Nationwide, it was his first time raising this type of dispute, or indeed falling victim to what he believed to be a scam. He asked questions to try to understand the process and called Nationwide as soon as he received the payment to check it was related to his dispute. I think the subsequent letter of October 2020 would have come as a shock to Mr A as he had since spent the temporary credit believing it was his to keep.
6. However, whilst I think Nationwide could have been clearer with Mr A about the credit into his account in August 2020, I do think Nationwide tried to put things right by offering compensation of £250 by way of an apology. Whilst I know Mr A would have liked it to write off the debt, I don't think this would have been reasonable. Mr A had the benefit of the funds that weren't his to keep (despite his belief they were) and was responsible to repay them following Nationwide's requirement to return them to I's bank.
7. I recognise that Mr A's personal circumstances changed due to Covid 19 as he lost his employment. Whilst this is not Nationwide's fault, it did delay processing the chargeback claim and in my opinion, it shouldn't have processed it based on the information provided by Mr A. Nationwide put Mr A in a difficult position and it was reasonably foreseeable that I (being a legitimate company) would defend the claim based on the information supplied by Mr A. Nationwide should have reasonably explained this to Mr A so that he could manage the temporary credit appropriately.
8. Mr A has now repaid the outstanding debt with nothing left to pay and Nationwide has removed all adverse information relating to this matter from his credit file. It also paid him an additional £150 to recognise the impact the matter has had on him, which Mr A accepted and so I make no further finding on the matter of his credit file.
9. Overall, I don't think Nationwide has done enough to recognise that it contributed to

Mr A's financial difficulties in regards to the debt he was left in and the impact this had on him. So I think it should pay an additional £100 which would make the overall compensation paid to Mr A £500. This covers all issues relating to Nationwide's handling of his chargeback claim to I, along with the impact it had on his credit file. I recognise that Mr A would like additional compensation for the length of time it's taken to resolve this matter. He also doesn't think he would have needed to refer the matter to this service if Nationwide had resolved things appropriately when he first complained. My role is to consider Mr A's complaint against Nationwide. I'm satisfied having considered everything, that £500 fairly reflects the impact Nationwide's actions have had on Mr A. I think most of the trouble and upset Mr A experienced was caused by the advice he received from G which resulted in him losing £5,000 to an investment he believed would earn him a profit.

### **My final decision**

My final decision is, I uphold Mr A's complaint in part and require Nationwide Building Society to:

- Pay an additional £100 compensation to Mr A.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 8 April 2022.

Dolores Njemanze  
**Ombudsman**