

The complaint

Mr A complains that Nationwide Building Society unfairly closed his account and lodged a fraud marker against him.

What happened

Nationwide received a report from another bank that indicated Mr A had received funds he wasn't entitled to. Nationwide carried out a review of the account and decided to close it immediately and lodged a marker with CIFAS – a national fraud prevention organisation.

Mr A complained about this and didn't believe the closure was fair or that Nationwide were entitled to lodge a marker against him. Nationwide looked into the complaint but didn't change their position. Mr A then brought his complaint to the Financial Ombudsman Service for an independent review where it was looked into by one of our adjudicators.

Mr A was asked about the incoming payment that had triggered the fraud report and described it as repayment for an earlier loan to his friend. Our investigator considered the information provided by both parties and thought that it was reasonable for Nationwide to close the account in the manner they did but thought that they didn't have the appropriate level of evidence required to lodge a fraud marker with CIFAS.

Nationwide disagreed with the outcome and asked for a further review of the complaint.

It's now been passed to me for a decision.

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.

There are two main aspects to this complaint, one being the closure of the account and the second being the marker applied by Nationwide.

Account closure

Nationwide can close an account immediately under certain conditions which are set out in the terms for the account agreed between them and Mr A. Once Nationwide had received the report from the other bank, they reviewed their relationship with him. At this point, Nationwide had suspicions that Mr A was receiving funds he wasn't entitled to, so I don't think the immediate closure of his account was unreasonable.

CIFAS

Whilst I think Nationwide's decision to end their relationship was appropriate, the lodgement of a marker with CIFAS required a different level of evidence to support its inclusion on their database. A CIFAS marker lasts for six years and can have a substantial impact on the individual's ability to bank and obtain credit.

The specific requirements were laid out in the adjudicators review, so I won't repeat them here. I do think Nationwide had enough to be suspicious about Mr A's activity, but the evidence they've supplied is, I think, below the level required by CIFAS. Nationwide advised our service that no other information was received apart from the fraud report from the sending bank. Whilst it's reasonable for Nationwide to rely on the information they receive from another bank, it doesn't necessarily mean the information has been tested, or that there's a different interpretation of what happened. Because Nationwide lodged the marker, it was their responsibility to ensure they met the standards laid down by CIFAS.

Mr A gave his explanation to this service about the reasons for receiving the payment, but Nationwide don't appear to have looked into that. Considering the type of allegation, I would have thought there would have been additional information and evidence available to corroborate the fraud report. But, without further evidence, it's difficult to see how the fraud report meets the standard required of CIFAS.

There was reference to another payment received by Mr A some time later from a different account, but there's little information about this payment in the context of the fraud marker lodged against Mr A.

Nationwide did ask, through our service, what Mr A's version of events were so they could reconsider their position. But by this point Nationwide had already lodged the marker – essentially stating that they'd met the required standards of CIFAS. It's appreciated that Nationwide were going to re-assess their position but it's their responsibility to meet the standards before lodging a marker, so any investigation they carried out should have been before they lodged it.

Putting things right

As I don't think that Nationwide met the appropriate standards laid down by CIFAS, the fair and reasonable thing to do is to remove the marker.

My final decision

My final decision is that I uphold, in part, Mr A's complaint and Nationwide Building Society are instructed to remove the CIFAS marker. For the avoidance of doubt, I don't uphold the complaint concerning the account closure.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 25 November 2022.

David Perry
Ombudsman