

The complaint

Mrs C complains that Nationwide Building Society have unfairly blocked her account following transactions she made to her partner.

What happened

Nationwide contacted Mrs C in March 2021 about a series of payments she had made to an account in Sri Lanka between December 2020 and the beginning of February 2021. Mrs C feels Nationwide looked into her account because of a scam payment connected to her daughter that was credited to Mrs C's account in December 2020.

Mrs C explained that the payments were being sent to her partner in Sri Lanka who she had met in 2015. She evidenced that she had visited Sri Lanka numerous times since 2015 and explained the payments were partly to invest in the upgrading of one restaurant her partner owned and other payments were to develop a new restaurant on some land that her partner had gifted to her.

Nationwide had suspicions that these payments could be a result of a scam and they asked Mrs C for further evidence proving that her partner owned the restaurant or that she legally owned the land in question. They asked for proof of exactly what the payments were for, such as building materials or labour. Mrs C said that it wasn't easy to get hold of the information and her partner's lawyer in Sri Lanka would have some of it. But it would be difficult to obtain due to internet issues in Sri Lanka, the effect of the COVID-19 over there and language barriers. Eventually she said she felt what she had already provided was enough and she was unwilling to provide more. She didn't plan to make any further payments regardless as the businesses were doing well.

Nationwide placed a hard block on Mrs C's account, meaning she was unable to use her internet banking or the debit card for the account. This led to her having to go into the branch to make any necessary payments or transfers. She eventually stopped her wages from crediting the account and instead began to use a separate account she held with Nationwide. Nationwide said it would only lift the block if Mrs C provided the evidence it had requested, or she acknowledged she was the victim of a scam.

Mrs C referred the complaint to our service and the investigator issued a view saying that while it's reasonable for a bank to question consumers about payments it feels are suspicious, it can't place a block on an account indefinitely. She recommended that Nationwide unblock the account, monitor any future payments and pay Mrs C £100 compensation for the inconvenience the block has caused.

Nationwide responded and said that following a review, the full account blocks were not necessary, so they lifted the restriction on Mrs C's debit card. But they felt the online banking block should remain and this should have applied to both her accounts since March 2021. As a result, they placed an online banking block on both of Mrs C's accounts. They again said that they needed evidence showing Mrs C's partner owned and ran the businesses to rule out the possibility of a scam and could not remove the blocks until that happened.

The investigator issued a second view in which they provided evidence of Mrs C's most recent trip to Sri Lanka in February 2022, including photos of her with her partner and evidence of her travel. As there was clear evidence of her link to the country and her partner, the investigator again said Nationwide should either unblock the account or close it if they feel there is too much of a risk of future scams. She also recommended increasing the compensation to £200.

In response to this, Nationwide invoked the Banking Protocol and reported the matter to the police, who visited Mrs C's home on 4 June 2022. Mrs C has said she was having a family barbeque at the time and this caused embarrassment for her. She explained to the police that she was not the victim of a scam and they didn't take it further.

Nationwide then gave Mrs C notice of the closure of both her accounts with them. They were set to close on 21 August 2022. The investigator recommended an increase in the compensation to £350 for the length of time taken for Nationwide to invoke the Banking Protocol and make the decision to close Mrs C's account. Nationwide disagreed and felt the £200 already recommended was fair in the circumstances. Mrs C has said that she would accept £350 compensation though she still feels it isn't enough considering the worry and upset the situation has caused her.

As an informal agreement could not be reached, the complaint has been passed to me for a final 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.

Having done so, I think the recommendation the investigator made for £350 compensation is fair in the circumstances. I'll explain why in more detail.

The crux of this complaint is how Nationwide have treated Mrs C and handled her accounts from March 2021 to August 2022.

I'll start with the payments themselves. There were four flagged payments made to an account in Sri Lanka. These totalled £6,500 and were sent to the account over the course of almost ten weeks. This first payment appears to have been to a new payee and the following ones were sent to the same account. From what I can see, I think a fraud warning appeared when Mrs C made the first payment, but she wasn't contacted directly by Nationwide at the time she made the payment, or the future ones, to ask any questions prior to them leaving her account. It seems likely this is because they did not look particularly out of character when compared to her normal account activity.

Nationwide didn't contact Mrs C until March 2021, over three months after she had made the first payment. It isn't clear why Nationwide took so long to contact Mrs C if it had concerns that these payments were not genuine and were the result of a scam. But, regardless of the delay, I don't think it was unreasonable for Nationwide to contact Mrs C and ask further questions around the payments considering the amounts, frequency and that they were to a new international payee.

On balance, I think the hard block that stopped Mrs C from using her debit card and her online banking was a disproportionate response to the situation. The payments in question were historic payments that had already left the account. And I note that when Nationwide tried to recover these, the beneficiary bank responded and said the beneficiary had confirmed they were genuine payments. And the beneficiary bank didn't highlight any

concerns with the beneficiary account being related to other fraudulent transactions.

Nationwide kept the account blocked for many more months and in June 2022, some 18 months after the first payment was made, it invoked the Banking Protocol which resulted in the Police visiting Mrs C. Later, when the Police didn't take the matter further, Nationwide decided to close Mrs C's accounts. I don't find it was necessarily *wrong* for Nationwide to take this action. I say this because it had genuine ongoing concerns for Mrs C's wellbeing and ultimately decided it didn't want to continue to offer banking services to Mrs C given those ongoing concerns. My view, however, is that Nationwide let the matter go on for too long. If it had taken the actions it ultimately took earlier, perhaps around April 2021 when Mrs C indicated she wouldn't be providing further evidence of the legitimacy of the payments, she wouldn't have had a further 14 months of uncertainty, and the distress and inconvenience that entailed.

Because of this, I think it would be fair and reasonable for Nationwide to pay Mrs C £350 compensation for the distress and inconvenience caused by the significant delay in Nationwide making the choice to invoke the banking protocol and close her account.

My final decision

I uphold this complaint and direct Nationwide Building Society to pay Mrs C £350 compensation in recognition of the distress and inconvenience they delay has caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 24 October 2022.

Rebecca Norris
Ombudsman