

## The complaint

Mr L is unhappy with the service provided by Nationwide Building Society following several declined credit card transactions.

## What happened

Mr L attempted to book a hire car using an online broker/comparison site. He tried to pay using his Nationwide credit card but the transaction was unsuccessful.

Nationwide wrote to Mr L to let him know the transaction had been declined and the reason why. The reason given was: 'SCA Authentication Required'. The letter advised Mr L to contact the merchant to arrange an alternative method of payment and/or cancel the card payment instruction to avoid it happening again. Mr L had already called Nationwide to discuss the payment failure before the letter had arrived in the post and a second attempt to collect the payment by the merchant the next day had been successful. Mr L was concerned that he could have paid the merchant twice, given the letter instructed him to arrange another way of paying.

Mr L complained to Nationwide in March 2022. Whilst Mr L's complaint was ongoing, other online transactions he attempted using his Nationwide credit card continued not to go through. Mr L was unhappy with, amongst other things, the various reasons given for the declined credit card transactions when he had called, which included placing full responsibility with the card scheme operator, an incorrect assumption Mr L was using a virtual private network, and a suggestion that he could call 15 minutes ahead of making a transaction.

Mr L is unhappy at Nationwide's use of the acronym SCA – secure customer authentication – without an explanation of its meaning, and Nationwide using the post to notify him of the failed transactions. Mr L is also unhappy at the messages he received via the banking app which included the terminology 'CATECH 3-D secured' and no explanation of what it meant.

To resolve the problem, Mr L requested a replacement credit card as this potential solution had been suggested to him by another of his banks. Nationwide has said since that Mr L has recently made payments online without any apparent problems.

Nationwide didn't uphold Mr L's complaint. It considers it operated Mr L's credit card account in line with its terms and conditions, namely it can stop any transaction if it feels it has reasonable grounds to do so. This prompted Mr L to refer the matter to the Financial Ombudsman Service.

As the investigator also did not think his complaint should be upheld and Mr L did not agree, the matter has been passed to me to decide. Since starting my review, I asked for Nationwide's call recordings of its conversations with Mr L – and I must thank Mr L for his patience whilst I waited for these to be made available.

In my provisional decision I explained that:

*“... we were set up as an informal and free alternative to the courts. I make decisions on the facts and evidence available in each case. And the decision I come to on what is fair and reasonable in all the circumstances of the case may be different to what a court would decide applying legal rules.*

*It may also help if I explain for Mr L that this service was set up to consider individual complaints, so it's not the role of the Financial Ombudsman Service to make findings about a business's wider practices or processes – that is something for the regulator, the Financial Conduct Authority (FCA) to do, and they have the power to fine and punish businesses where appropriate.*

*I'm required by DISP 3.6.4 R of the FCA's Handbook to take into account the:*

*(1) relevant:*

- (a) law and regulations;*
- (b) regulators' rules, guidance and standards;*
- (c) codes of practice; and*

*(2) ([when] appropriate) what [I consider] to have been good industry practice at the relevant time.'*

*Having done all of that, I'm intending to reach a different conclusion to the one reached by our investigator. I'll explain why.*

*I've looked at what I think is the heart of the matter here, which is Mr L could no longer use his credit card to make payments online from 13 March 2022. I do think Nationwide has failed to recognise this as Mr L's fundamental complaint. It has instead focussed on his supplementary concerns, which, I think it is fair to say, were borne out of Mr L's utter frustration at not having a fully functioning credit card and at the absence of Nationwide taking responsibility to resolve the problem (regardless of whether it was ultimately responsible for causing it).*

*I note from the submissions that both parties to this dispute are now familiar with the requirements under Payment Services Regulations 2017 for implementing Strong Customer Authentication (SCA), with Mr L having completed his own research in addition to the information Nationwide provided in its final response. So I see no need to provide the same background information again here. I see that Mr L's problems began the day before the regulator's – the FCA – deadline for implementing SCA for e-commerce transactions on 14 March 2022. But of course, Nationwide would have needed to implement SCA long before then – in September 2019 – for non-e-commerce transactions and so it wasn't a new or unfamiliar process for the building society.*

*Nationwide's response only considered the first declined transaction. But having listened to calls between Mr L and Nationwide, I am aware of at least three further blocked online transactions to different merchants over the same week, all of which he subsequently raised with Nationwide as part of this complaint. And so, I can see how Mr L got the impression his card had been blocked because he couldn't use it to pay for things online. Instead, Nationwide told him that the transactions had been declined, or had been challenged by the card scheme operator, or had been blocked because:*

- The merchant had failed to adopt the correct security protocols.*
- The card scheme operator challenged the transactions because Mr L attempted each payment via a different IP address and/or using an unfamiliar device.*
- He had accessed internet via a VPN (Virtual Private Network).*

*I accept it is possible all the merchants Mr L attempted to pay had failed to adopt the correct security protocols. And I accept Nationwide's account terms and conditions entitle it to decline transactions with reasonable cause for doing so. But I must also weigh these up against:*

- *the first declined transaction went through the next day after that merchant attempted to collect the payment a second time;*
- *Mr L is adamant that he doesn't access internet via a VPN and that he had been using his regular devices;*
- *Mr L could complete the declined transactions by using a different provider's payment card (accessing the internet the same way using his regular devices); and*
- *the fact the problem went away (as far as I can tell) after Mr L, of his own volition, requested a replacement credit card (with all other parameters remaining the same).*

*Having done so, I provisionally think the stronger of the competing evidence points to the more likely cause of Mr L's declined payments as a problem with his Nationwide credit card – and not the merchants he attempted to pay online. Nationwide can let me know if and why this is wrong when it responds to this provisional decision.*

*I have also considered the service Mr L received from Nationwide. I have noted Mr L's comments about Nationwide notifying him of the failed transaction by post and its use of jargon in its correspondence. I would like to think that Nationwide has taken on board his feedback in the spirit it was intended. I appreciate Mr L's concern that, after receiving a letter by post advising him to contact the merchant to make alternative payment with the merchant having successfully claimed the payment on a second attempt, it could have led to him paying twice. This didn't happen – perhaps fortuitously so for Nationwide because I can't ask it to compensate Mr L for something that could have but did not happen. However, I don't doubt this all added to Mr L's frustration.*

*And in the same way, I think receiving a text message asking Mr L to call whilst he was overseas to then be told upon calling on his return a week later that he had missed the three-day window in which to discuss his complaint, would also have further added to his dissatisfaction. More so, as the text message made no mention of the need to call within three days.*

*I do think Mr L should be compensated for the distress he was caused by not being able to make payments using his credit card online and Nationwide failing to take responsibility for resolving the problem. I also do not think Nationwide handled Mr L's concerns particularly well. I think this will have caused additional distress and inconvenience and led to his complaint continuing for much longer than it should have.*

### **Putting things right**

*Overall, having considered both the impact on Mr L following the loss of use of his credit card to make payments online and Nationwide's handling of his concerns, I currently think £350 would be fair compensation for the distress and inconvenience Mr L has been caused. I consider compensation of this amount is fair where the impact of a mistake (or mistakes) has caused a distress, upset and worry and/or significant inconvenience and disruption over several weeks. I think this describes Mr L's experience following the poor service Nationwide provided him."*

## Responses

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 24 April 2023. As both Nationwide and Mr L have responded, I see no reason to wait for this date to pass before continuing to determine this complaint.

Mr L has confirmed receiving the decision. He remained of the view that Nationwide had failed to show his complaint was untrue and did not have sufficient evidence to disprove it.

Nationwide has confirmed receiving the decision but did not wish to make any further representation.

### **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.

I've reviewed everything again. Neither Mr L nor Nationwide have provided further evidence or new information for me to consider. So, I've not seen enough for me to alter my provisional conclusions.

In his response, Mr L suggests that Nationwide did not have the telephone recordings to disprove his complaint. Nationwide did provide telephone recordings, and I have relied on these to reach my conclusions. It's unfortunate my insistence on listening to those calls has delayed matters but without them, I may not have reached this outcome.

### **My final decision**

For the reasons set out here, and in my provisional decision, my final decision is that I uphold this complaint. Nationwide Building Society must pay Mr L £350 for the distress and inconvenience it caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 18 May 2023.

Stefan Riedel  
**Ombudsman**