



## **The complaint**

Mr P complains that Nationwide Building Society failed to collect a direct debit in respect of his credit card account.

## **What happened**

In his October 2023 statement for his credit card, Mr P had a balance of just over £300 outstanding. On or about 23 October he received a refund into his account of £41.25 and then on 31 October, £645, which paid the October balance off and credited over £300 to the November account. The two refunds actually cancelled out a payment on the account to the same retailer. He spent further sums on his credit card that month, up until 19 November, which meant that he then had an outstanding balance on his account of around £970.

I understand that Mr P has a direct debit set up with Nationwide which clears the outstanding balance on his account each month. So on 20 November, having noticed that Nationwide had not taken any direct debit that month he contacted it to query. He rang several times on that date and said that his terms and conditions (Ts & Cs) were not clear, and were at odds with the payment process. He expected the balance be paid off that month but instead had a higher balance to be paid the next month.

Nationwide explained that refunds to the account are accepted as normal payments towards an account balance. This is if they reduce the balance to less than the minimum payment due. As Mr P's refund paid off the whole balance and brought the account technically into credit, Nationwide said that meant that a full payment had been made for that month so the direct debit was not taken.

Mr P complained to Nationwide. He also complained that he got cut off in the middle of making a complaint. He has now closed his credit card account. Nationwide paid him £50 compensation in respect of his experience when he got cut off while making a complaint and had to call back and was unable to speak to the relevant adviser at the time. It said it hadn't made an error in respect of the payment due on his account.

On referral to the Financial Ombudsman Service, our Investigator said that the £50 paid by Nationwide was reasonable to deal with the complaint.

Mr P did not agree and the matter has been passed to me for an Ombudsman's consideration.

## **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.

The relevant paragraph of Nationwide's Ts & Cs is:

*"Refunds will not count towards your minimum payment unless they reduce your account balance to less than the minimum payment shown on your statement. If this happens, you will only have to pay any remaining outstanding balance shown on your statement."*

So Nationwide's position is that the payment of the £645 refund into his account paid off the balance on the October account and, again *for the October account only*, put the account into credit. So, according to the terms set out above, this reduced the account balance to less than the minimum payment shown on that statement.

I can fully understand Mr P's position. After taking into account the £645 refund, his account had, according to the November statement, a balance of £972. In effect the refunds he received cancelled out a payment he had made, so effectively he had not made a payment on his credit card.

However Nationwide works from the previous balance on the card account. So a refund actually counts as a payment if it reduces the previous balance to less than the minimum payment due (£25). This is presumably designed so that the customer doesn't just receive small refunds which count towards the balance. Clearly Mr P's position, with a large payment and then a large credit could be said to be a more unusual case. And this is clearly an automated procedure.

I bear in mind that our function is to resolve individual complaints and not to require Nationwide to make changes to its computer systems. Mr P had noticed that his direct debit had not come out and called Nationwide on 20 November. He hasn't suffered any financial loss (no charges or interest). And he could have made a manual payment, and has closed the account.

So, in respect of the credit card account, I don't think that Nationwide has done anything wrong, because that is the way it has set its system. It could have made the position clearer to Mr P in his earlier phone calls on 20 November, as the advisers said that a refund is treated like an ordinary payment, which was not quite accurate. And in a subsequent call the line cut off before Mr P was able to make his complaint in full and he wasn't able to speak to the adviser when he rang back. I note that Nationwide paid him £50 compensation, which I think is fair and reasonable.

### **My final decision**

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 26 June 2024.

Ray Lawley  
**Ombudsman**