

The complaint

Mr F complains that Nationwide Building Society (“Nationwide”) failed to prevent a false loan application from being made using his own details, causing him considerable distress.

What happened

Mr F had an account with Nationwide that hadn’t been actively used in some time. In September 2023 Mr F said his phone was stolen and following this, a loan for £12,000 was granted after being applied through Mr F’s mobile banking app.

After the loan was granted, £5,000 was transferred to another account held in Mr F’s name. A transaction was also attempted at a well-known electrical store. This transaction required additional security steps which were carried out using Mr F’s online banking.

Mr F quickly noticed some unusual activity on his account(s) and contacted Nationwide about the situation. They blocked Mr F’s online banking and looked into what had happened. Mr F’s other banking accounts (held with different firms) were also compromised at the same time.

Nationwide’s initial assessment was that there was no explanation how someone could have accessed Mr F’s online banking and changed the log in details. That was because these changes needed the account’s genuine debit card and a card reader to generate specific codes. Nationwide also thought it was unusual to see a transfer to another account in Mr F’s name.

Nationwide received the £5,000 back from Mr F’s other account and realised they’d not looked at the issue of the false loan (they’d concentrated on the £5,000 transferred out of the account at this point). Nationwide couldn’t determine how the account changes had been made and decided to write the loan off.

Mr F’s account had a standing order that was still active, and this triggered 2 x £1,000 transfers to an account he held with another bank – made possible because the remaining loan funds were still in his account.

Nationwide tried to recover these funds and received £953.32 back, leaving £1046.68 still unaccounted for.

Mr F made a complaint about Nationwide’s lack of security that allowed a false loan to be made using his account. He said the issue had caused him great stress, denied him access to his accounts and was concerned about the impact on his credit score. Mr F also believed the fraudsters had obtained personal information about him from the banking app.

Nationwide wrote to Mr F with the results of his complaint and confirmed they were writing off the loan, amending his credit file and offered £100 to recognise the length of time that the investigation took to resolve the issue.

Mr F remained unhappy with how Nationwide had handled the issue and brought his

complaint to the Financial Ombudsman Service for an independent review. An investigator asked both parties for information about the complaint and Mr F was able to add that:

- His phone was stolen and early the following morning a loan was applied for in his name.
- Other accounts were also affected.
- He didn't think that Nationwide had carried out sufficient checks when granting the loan.
- Nationwide initially held him liable for the loan, despite Mr F telling them he wasn't responsible.
- He felt they mishandled the investigation and wanted a much larger payment in compensation.

Nationwide provided details of their records and assessment of the situation:

- When first contacted, they couldn't determine how the account's security had been changed without access to Mr F's card.
- They didn't believe there had been an error when granting the loan because it came from Mr F's registered phone and banking app, giving Nationwide the impression that it was him that made it.
- They initially concentrated on the £5,000 transfer before realising there was a fraudulent loan, delaying the resolution.
- They were unable to recover all the funds, believing that Mr F had benefitted from some of the loan that was transferred by standing order to his other accounts.
- They put Mr F back into the position he was in before the loan by removing it. They updated his credit reference agency (CRA) records to remove any reference to the loan and offered £100 for the delay in resolving the complaint.

After reviewing the evidence, the investigator thought that Nationwide's redress was reasonable and didn't recommend anything further be done. It was commented that the use of the app led Nationwide to think that the loan application was genuine.

Mr F disagreed with the investigator's report and asked for a further review of his complaint.

As part of my own investigation, I asked Mr F about the funds transferred from the loan that hadn't been part of Nationwide's recovery. Mr F was able to provide details of the account the two payments were sent to. This showed (apart from the partial recovery) that the rest of the money from the standing orders had been subsumed into the accounts and used by Mr F.

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.

Initially, Nationwide couldn't determine how the security had been bypassed but later accepted Mr F wasn't responsible for the loan and wrote it off. They agreed to update the

CRA's and offered £100 in compensation for the delay in dealing with the investigation.

Mr F felt he should have been given more compensation because he felt the loan shouldn't have been granted so easily. So, I've looked at the history of the complaint and how it unfolded.

It's worth pointing out that that an unknown third party was responsible for the theft of Mr F's phone who were then able to compromise his bank accounts, including his Nationwide one. When the application was made, because it came from Mr F's registered phone and used his mobile banking app, I don't think that Nationwide would have been suspicious of it based on the level of security required to access it.

I understand Mr F said his account was effectively dormant because he hadn't been using it, so the loan should have triggered further checks. Nationwide were unlikely to be aware of Mr F's personal arrangements, so wouldn't know if the loan was fraudulent or not based on the historical usage of the account. They were satisfied based on the checks they carried out at the time and the security they believed protected the account from false applications. I don't think it was unreasonable for them to believe it was Mr F himself who was making it.

But, what was then relevant was Nationwide's handling of the situation once Mr F let them know of the problem. It's apparent to me that Nationwide didn't fully understand the situation and only looked at the transfer of £5,000 to Mr F's other bank account. This delayed the full resolution of the complaint for a few months and led to continued stress and inconvenience for Mr F.

Even after Nationwide wrote to Mr F with their final response to his complaint in October 2023, they continued to write to him about the issue, sending him a letter in January of this year to say they couldn't refund him (having already written off the loan). Based on this, I think Nationwide's handling of the situation left something to be desired.

My initial thoughts about this were to increase the level of compensation from the original £100. That's why I wanted to understand if Mr F had somehow benefitted from the loan when two standing orders were paid using the loan funds left in his account. It's clear from looking at his statements that Mr F used those funds from the loan, although I think he probably forgot there was a standing order present on the account and no doubt innocently used those funds. That benefit is far more than I would have considered increasing his redress, so I won't be asking Nationwide to increase their payment to him.

I've also considered the issue of private information being exposed to the applicants of the loan. Nationwide have said that some information was viewed in the app relating to Mr F's name, address, email address and phone number. It's unclear to me if other accounts (held with other banks) information was similarly accessed or information taken from Mr F's phone. So, I can't be confident that Nationwide themselves are solely responsible for the exposure of this information, but Mr F would be advised to seek guidance on identity theft and consider further measures to protect himself if he hasn't already done so.

Mr F also complained about losing access to his account. When the loan was made, his account had been dormant for some time, so it's difficult to see how any loss of access affected him because he wasn't using it. I can't comment about his other accounts as his complaint relates solely to Nationwide.

I recognise the difficult situation Mr F found himself in that was no fault of his own, also that Nationwide delayed the resolution of his complaint. But, I have to keep in mind that the false loan was made by an unknown third party. Once Nationwide were fully aware of the problem, they eventually wrote the loan off, updated his credit reference agency files and

paid £100 for the delay in the resolution. I think Nationwide's actions to correct the situation were both fair and reasonable and as Mr F has had use of some of the loan, I won't be asking them to do anything more.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 21 June 2024.

David Perry
Ombudsman