

The complaint

Mr B has complained that National Westminster Bank Plc failed to provide him with adequate support when he started to gamble with his credit card in a harmful and compulsive way.

Background

Mr B applied for a credit card with NatWest in July 2023. His application was approved, and he was given a card with a £10,000 limit. Mr B then immediately began to use the card to purchase crypto currency and to gamble. Between July and November 2023 Mr B spent thousands of pounds on gambling sites through the card and eventually the balance was run up to a total of £10,355.71.

Mr B has said that at no time did NatWest offer him help or support for his gambling. He believes it should have been clear to the bank what was happening and that he was causing himself harm. He says NatWest failed to identify harmful behaviour on the card and that if the bank had contacted him during this time to explicitly question his gambling activity he would have stopped using the card and reduced the overall harm he experienced. He says he's been left with debt of over £80,000, £10,000 of which is linked to the NatWest card. He wants NatWest to remove all interest and charges from the account and pay him compensation for the distress it has caused him.

NatWest has said that it did contact Mr B multiple times about the transactions on his card. It has explained that while none of the websites he was using were identifiable as gambling websites, several transactions were flagged as potentially fraudulent and so contact was made with Mr B to verify these and ensure he wanted to proceed. In one call Mr B did explain he was buying crypto, and the NatWest advisor informed him that was against the terms and conditions of the card. So, it disagreed that it didn't query the account behaviour with Mr B but also said the onus was on him to disclose any additional issues he was having or help that he may need. It has confirmed that when Mr B did disclose his gambling problem to the bank it immediately offered to signpost him to external support which he declined. So, it didn't think it had done anything wrong and didn't uphold Mr B's complaint.

Unhappy with NatWest's response Mr B brought his complaint to our service. One of our investigators looked into it already. He found that there was contact from NatWest at various points in time while the card was active. And that in each of these calls Mr B gave the bank reassurances the transactions on the card were legitimate and not cause for concern. He also explained in detail why the websites Mr B was using to gamble weren't identified as gambling websites and why he didn't believe that was due to any fault of NatWest. Overall, the investigator found that NatWest had likely done enough, the transactions were verified and when it had contacted Mr B to discuss them he had given assurances all was fine. So he didn't think the bank had done anything wrong and didn't uphold the complaint.

Mr B remained of the opinion the bank should have done more to stop him from using the card the way he did. So he asked for an ombudsman to review his complaint again and so it's been passed to me for consideration.

My findings

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 agree with the findings of our investigator and won't be upholding Mr B's complaint. I appreciate this will come as a disappointment to Mr B so I've set out my reasons below.

In his view the investigator set out in great detail how Merchant Category Codes ("MCCs") work. These are essentially the codes used by merchants to help banks and credit providers recognise what sort of product is being purchased. There are individual codes for lots of different things, for example travel, clothing, dining, and gambling all have their own individual unique code. Each merchant is expected to apply the correct code to their product which adds another layer of verification and protection for all parties involved in the transaction.

In April 2020 the UK Gambling Commission banned gambling retailers (at least those who are regulated by the commission) from accepting payment from credit cards. The ban was placed on merchants and not credit card providers, but most providers added a block to their products to stop them from being used in this way. The block is essentially an algorithm that searches for the gambling MCC and any time an attempted purchase has that specific code attached to it, it will block the transaction and refuse payment.

NatWest has confirmed that the card Mr B was provided with in July 2023 also had the same block activated on it. NatWest doesn't allow customers to use their cards to gamble with. Therefore, in order to understand how Mr B was able to make the transactions he did we asked NatWest to provide us with evidence of the different codes attached to the different transactions on Mr B's account.

Having reviewed that it is clear that none of the gambling websites Mr B was using were presented as gambling websites. Instead, they had codes attached that identified them as different things including educational courses, clothes outlets, and digital content. And in one of the phone calls between Mr B and NatWest, where he discloses he's using his card to buy crypto currency, the person he's speaking to confirms that the websites he's using present themselves as one thing to the bank but in actual fact are something else. So, it appears Mr B knew the sites he was using were deliberately misidentifying themselves and hiding the fact they were linked to gambling.

Given NatWest wasn't able to identify the transactions as linked to gambling, I'm unclear how it should have been aware Mr B was gambling with the account. He has said that the way he was using the account was erratic and involved increasingly large amounts which should have prompted further checks by the bank. I agree with Mr B on this point, I do think the bank should have queried the transactions with Mr B and verified he was comfortable making them. And that is what NatWest did. I appreciate it didn't verify every single transaction, but it did query a number of them, and each time was given reassurance from Mr B that all was fine, and he was happy with the transactions he was making. The bank also blocked over 40 transactions from being completed, and froze the account at different times to review the activity on it. So, I can't reasonably say the bank failed to safeguard Mr B when usual activity took place on the account.

I appreciate that Mr B thinks the bank should have done more but I'm unclear as to what that ought to have been. The bank blocked and queried multiple transactions with him. When Mr B disclosed some of the websites he was using were actually crypto currency websites, he was told it was against the bank's policy to use the card for those sorts of transactions.

However, he also knew the websites he was using were deliberately misrepresenting themselves in order to prevent the bank from being able to identify them and effectively block transactions. So, I don't know how Mr B expected NatWest to identify gambling transactions on his account when the sites he was using deliberately masked the transactions, so they appeared as something else.

Credit card accounts aren't actively monitored by people anymore. Instead, businesses rely on algorithms to identify risk to the account and account holder. That can mean identifying specific types of websites and blocking them, which as explained above, relies on the merchant using the correct MCCs, and by monitoring the account for signs of financial vulnerability. That would include things like missed payments, failed payments, and exceeding the credit limit.

Looking at Mr B's card statements I can see that he was managing the account well and although he eventually exceeded the account limit, that didn't happen until the final month he was using it. Prior to that, although he was utilising a lot of the credit available to him, Mr B was making regular payments to the card. And often quite large ones. It's also important to remember Mr B only had use of the card for five months. So, I don't think there was anything obvious that indicated Mr B may be experiencing problems with the account.

All of which means I can't say that NatWest failed in its duties to support Mr B and monitor his account as expected. It did spot unusual transactions and it did query these with him. When the websites Mr B was using identified themselves correctly with the right MCCs NatWest blocked transactions from being completed. And Mr B was maintaining the account with regular payments so there was nothing to indicate he was struggling financially.

Therefore, I can't uphold Mr B's complaint on that basis.

I've also considered whether NatWest acted unfairly or unreasonably in some other way given what Mr B has complained about, including whether its relationship with him might have been unfair under s.140A Consumer Credit Act 1974. However, and for the same reasons I've set out above, I've not seen anything that makes me think this was likely to have been the case.

My final decision

For the reasons set out above, I don't uphold Mr B's complaint against National Westminster Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 November 2024.

Karen Hanlon
Ombudsman