

The complaint

Miss D complains that Nationwide Building Society blocked her account when it had concerns about a payment she tried to make from it.

What happened

In or about February 2024 Miss D signed up for a course with a company, which I'll call "A". The details are limited, but it appears that A was a newly founded business which offered courses in the use of artificial intelligence for investment purposes. The payment Miss D tried to make may therefore have been intended to pay for training materials, software and investment funds.

Nationwide refused to complete the payment. It asked Miss D for more information about A's business, but was not satisfied with the response. It felt there was a risk that she was being scammed.

Miss D was nevertheless keen to go ahead and made a payment to A from a different source. She says that she is enrolled in the course with A and is happy with what has been provided.

A few weeks later Miss D says she found out that, not only had Nationwide refused to complete her payment, it had also blocked her account. The balance at the time was around £6,800.

Miss D complained to Nationwide and to this service. Nationwide said that it had done nothing wrong and that it would not lift the block on Miss D's account unless and until she provided the information it had requested about A. She said too that, because her account was blocked, she was unable to pay a credit card bill of some £6,800 – roughly the same as the account balance.

One of our investigators considered what had happened. During the course of that investigation, Nationwide said that Miss D could attend a branch and arrange for the account to be closed and for funds to be transferred to an account she held with a different provider. Miss D did that a few days later, in early August 2024.

The investigator then issued a preliminary assessment. He concluded that Nationwide had been within its rights to stop the payment to A and to block Miss D's account. He did not consider however that it had treated Miss D fairly when it continued to maintain the block on the account. He recommended that Nationwide pay Miss D £200 in recognition of the inconvenience to which she had been put (that figure to include £100 which Nationwide had already offered) and to refund the interest which she had paid on her credit card account between March and August 2024; that amounted to £678.36.

Miss D said she thought the investigator's conclusions were fair. Nationwide however did not accept them and asked that an ombudsman review the case. It explained that its concerns about the payment to A had not been addressed, since Miss D had not provided the information it had requested.

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 have reached the same overall conclusions as the investigator did, and for similar reasons.

I can understand why Nationwide had concerns about the payment to A. I know that Miss D believes that it is a legitimate business, and that her experience with it so far has, she says, been positive. That is not really the issue though – even if that continues to be the case. The account terms allowed Nationwide to stop payments and to block the account if it had concerns about scams or other illegitimate activity on an account. It did not have to prove that there was in fact fraud or similar activity, or that its customer needed protecting.

I do however share the investigator's concerns that Nationwide kept the block on the account, seemingly without any strategy or plan for bringing the issue to a close. Whilst Nationwide says that it was willing to close the account, it does not appear to have communicated that to Miss D until pressed by the investigator.

As I have said, I can understand why Nationwide did not want to agree to making a payment to A, but Miss D made the payment from other sources very soon after Nationwide declined to do so. And Miss D had said too that she had limited information from A – that is, I think it was apparent fairly early on that she would not be able to address Nationwide's concerns.

There is nothing in Nationwide's notes to suggest it had any other concerns about Miss D's account. In particular, it had no concerns about the source of funds paid into the account. The risk it had identified was from a payment to A only, which it had stopped.

In response to the investigator's assessment, Nationwide commented that it was Miss D's responsibility to get in touch to resolve this matter. I am afraid I don't agree with that. Miss D had referred the matter to this service, and in my view Nationwide should have been more pro-active in addressing her concern that she had no access to her funds.

The effect of Nationwide's actions was that Miss D was wrongly deprived of the funds in the account from early March to early August 2024 – around five months. The usual compensation where someone is deprived of funds is to make an award of interest. The Financial Ombudsman Service will often use a rate of 8% a year, in line with the rate typically applied to court judgments and representing a typical cost of borrowing (not a savings rate). In some cases, however, a different rate might be appropriate – for example, where a customer has actually incurred interest at a higher rate.

There is evidence here that, because Miss D could not access her Nationwide account, she could not pay her credit card bill in full. The balances on each account were broadly the same. Miss D did reduce the balance with payments from other sources, but does not appear to have been able to pay it in full. I therefore agree with the investigator that, in this case, the cost to Miss D of being deprived of funds was closely linked to the interest she paid on her credit card; a fair level of compensation would therefore be the interest she has paid.

My final decision

For these reasons, my final decision is that, to resolve Miss D's complaint in full, Nationwide Building Society should pay her £678.36 (the interest paid on her credit card) and £200 in recognition of the inconvenience to which she has been put.

Payment should be made within 30 days of acceptance of my decision, after which interest will accrue on the award at 8% a year simple from the date of acceptance until the date of payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 6 January 2025.

Mike Ingram

Ombudsman