

The complaint

Mrs W complains Nationwide Building Society (“Nationwide”) closed her accounts because of the country she lives in being prescribed by it as high-risk. Mrs W is also unhappy with Nationwide’s actions in retrieving her closing balance.

Mrs W is represented by her husband, Mr W. To keep matters simple, and where practicable, I will mainly refer to Mrs W in my decision.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again here in detail. Instead, I’ll focus on setting out some of the key facts and on giving my reasons for my decision.

Following an internal review, Nationwide notified Mrs W that it was closing her accounts in line with its terms and conditions in April 2024. Nationwide said that the accounts would be closed in three months’ time in July 2024. Nationwide explained that whilst it takes several factors into consideration, a significant one is that Mrs W lives outside the UK. Amongst other things, the letter went on to explain what Mrs W needed to do next.

Mrs W says she didn’t receive the letter of notification from Nationwide. When Mrs W discovered what Nationwide had decided, she complained. Nationwide didn’t uphold Mrs W’s complaint. In summary, it made the following key points relevant to Mrs W’s complaint:

- Nationwide hasn’t done anything wrong in closing Mrs W’s accounts due to her living in a high-risk country and emailed Mrs W notice of its intention to do so
- Nationwide’s email notification sent in April 2024 included what would happen with Mrs W’s funds. She could’ve moved the funds before the closure date in July 2024 through internet banking or by using her banking app. Nationwide also informed Mrs W she could arrange a transfer, but the funds would have to be sent to an account in her name

Mrs W referred her complaint to this service. For simplicity, I will now refer to the country Mrs W lives in as “B”. One of our Investigator’s looked into Mrs W’s complaint, and they recommended it wasn’t upheld. In short, their key findings were:

- Nationwide’s decision to close Mrs W’s accounts is based on a reasonable assessment of the risks it would have to accept in offering its services to someone who lives in B
- Nationwide’s website shows Mrs W’s account is only offered to UK residents. Offering financial services to people who live in other countries can mean increased costs and varying compliance requirements with other countries
- Despite Mrs W being a new customer, Nationwide’s review was fair given the risk B

posed

- Nationwide has shared its internal risk rating for international countries, and B is a high-risk one. This is consistent with what the international body, The Financial Action Task Force (FATF), has rated B as. So Nationwide's assessment is fair
- Nationwide gave Mrs W more notice than its terms and conditions say it should

Mrs W didn't agree with what our Investigator said. Our Investigator then responded to Mrs W's additional points. I'm satisfied they summarised Mrs W's key points correctly, so for pragmatism I have copied them, and their responses here:

Mrs W's additional points

- At no time in the five years Mrs W lived in B has Nationwide contacted her regarding account safety
- Nationwide didn't give Mrs W notice of its intention to close her account as the letter was sent to the wrong address
- It's not possible for Mrs W to receive the balance, as the only sterling account she held was the Nationwide one, and she thought there was an agreement it could be sent to one of Mr W's account's
- Mrs W considers the banking risks posed by B are miniscule compared to those posed by the UK banking system. Mrs W gave the examples of debit cards having to be collected in branch with a photographic identification document and the process of having to give a legal declaration of where the funds originated from
- Mrs W has never breached the account's terms and conditions and it was Nationwide that has unilaterally, without any notice, changed its standpoint regarding EU residency
- Nationwide's own website doesn't list B as a country to which they don't provide services

Investigator's key responses

- They agree Nationwide hasn't contacted Mrs W regarding her account safety. But Nationwide's decision to stop providing services to residents of B isn't due to anything specifically related to Mrs W. It's the risk of providing services to a country which is designated as high risk by various governmental bodies and its own assessment
- The notice Nationwide sent informing Mrs W of its intention to close her account was sent electronically. They can't know whether it was received by Mrs W, but Nationwide's responsibility is to send the notification
- They've seen no evidence of an agreement to send the balance to Mrs W's nominated account. But they can see that after Mrs W provided account details in August 2024, Nationwide responded to say it wasn't possible. If Mrs W was given incorrect information about the possibility of sending it to Mr W's account, this was quickly corrected and, had she been told the right thing, Mrs W's position wouldn't be any different

- After noting Mrs W's comments regarding B's banking system, Nationwide is entitled to make its own assessment. Various governmental bodies also concluded that B's financial system does pose an enhanced risk. FATF which an international body responsible for assessing the risks posed by various countries, has placed B under enhanced supervision. And the Council of Europe's Moneyval (Committee of Experts on The Evaluation of Anti-Money Laundering Measures and The Financial of Terrorism) placed B on enhanced monitoring. Also, B's own government recognised it had to make improvements and made a commitment to work with FATF and Moneyval to strengthen the effectiveness of its anti-money laundering and countering terrorist financing regime
- There's no suggestion Mrs W breached the terms and conditions. The decision to close her account is a policy decision based purely on the risks associated with B's financial system
- The only section of Nationwide's website they could find which lists countries it can't serve is under the "Brexit" section which doesn't list B. The countries which are listed are due to the legal difficulties faced by UK financial services firms in those specific nations. It is not an exhaustive list of countries which Nationwide can't or won't provide its services to

Mrs W didn't agree and emphasised that Nationwide are unreasonably withholding her funds. She explained that she doesn't have another sterling account and the only option is for the funds to be transferred to Mr W's nominated account.

Our Investigator asked Nationwide, given the small value of funds it was holding, if it was able to work outside its normal process on this occasion by sending the money to an account not in Mrs W's name. Nationwide agreed and the funds were paid to Mr W's account.

Mrs W added that at no time had she asked for funds from her Nationwide account to be transferred to an account in B. So Nationwide's concerns are frivolous and erroneous. She reiterated there are greater financial crime and security concerns in the UK than in B.

As there was no agreement, this complaint has been passed to me to decide.

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 decided not to uphold this complaint. I'll explain why.

Having looked at all the evidence and arguments afresh, I have found no reason to disagree or add substantively to what our Investigator has said. So in the interest of being pragmatic and avoid perfunctory repetition, I will summarise my key findings:

- Financial businesses in the UK, like Nationwide, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means Nationwide needs to restrict, or in some cases go as far as closing, customers' accounts. I'm satisfied Nationwide reviewed Mrs W's accounts in line with its obligations
- Nationwide is entitled to close an account just as a customer may close an account

with it. But before Nationwide closes an account, it must do so in a way, which complies with the terms and conditions of the account. The terms and conditions of the account, which Nationwide and Mrs W had to comply with, say that it could close the accounts by giving her at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

- Nationwide closed Mrs W's accounts with three months' notice. I'm satisfied that this is in line with the terms of the account. I note Mrs W was given three months' notice which is more than Nationwide needed to do – but shows it acted reasonably by allowing more flexibility given Mrs W lived abroad
- Nationwide identified B as a high-risk country, and that is why it decided to close Mrs W's accounts given she resides there. Nationwide can determine its own risk parameters and who it takes on or keeps as customers. I've looked at its internal risk policy regarding high-risk countries, and note it is consistent with what the UK government and FATF say about B. So, I'm satisfied Nationwide have acted fairly and reasonably when deciding to end its banking relationship with Mrs W
- It is not this service's role to determine the risk rating of individual countries nor make any observations on such. In the context of this complaint, I have looked at whether Nationwide has acted fairly and in doing so looked at what the relevant authorities and international bodies such as FATF say about B to help me determine this
- Mrs W isn't happy that Nationwide didn't send her funds to Mr W's nominated account. I note this has since been done outside of Nationwide's normal policy and procedures. Given the nominal value, and Nationwide making allowance outside its normal process in the way it has, I don't think it needed to do anymore

As I don't think Nationwide has done anything wrong, I see no basis to make an award of compensation.

My final decision

For the reasons above, I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 16 January 2025.

Ketan Nagla
Ombudsman