

The complaint

Mrs E complains that Nationwide Building Society hasn't refunded a payment that was taken from her credit card account.

What happened

Mrs E enrolled on an educational course with a learning provider (who I'll refer to as "S"). The cost of the course was £1,499. Mrs E agreed for the course provider to take payment for the course in 12 monthly instalments from her Nationwide credit card.

The first two monthly payments of £124.91 were taken out in November 2022 and December 2022. Mrs E says that sometime in December 2022, she contacted S to cancel the course. However, a further monthly payment was taken in January 2023. Mrs E says she tried to cancel with S again, but two further payments were taken in February and March 2023.

Following the March payment being taken, Mrs E contacted Nationwide on 7 March 2023. She asked for future payments to be blocked as she had cancelled the services and requested S to stop taking payments and refund payments already taken. Nationwide agreed to block any future payments, however, a few weeks later S debited the remaining outstanding balance in one transaction. It debited £874.45 on 20 March 2023.

Mrs E complained to Nationwide, it apologised for not carrying out the correct process for blocking future payments and paid her £75 compensation. It also agreed to try and recover the payment through the chargeback process. The chargeback was unsuccessful because Nationwide says Mrs E did not provide it with information it had requested from her. Mrs E raised a new complaint. Nationwide offered Mrs E a further £25 compensation.

Nationwide later considered Mrs E's request for a refund as a claim under section 75 of the Consumer Credit Act 1974 ("section 75"). It concluded that there was no breach of contract or misrepresentation by S for which Nationwide could be held jointly liable under section 75. Mrs E complained about Nationwide's decision. Nationwide thought it had reached the correct outcome but paid her a further £75 compensation.

Our investigator recommended the complaint be upheld. She was satisfied that Mrs E had asked Nationwide to cancel future payments from S before the amount of £874.45 was debited. As the payments appeared to be set up as a continuous payment authority and Mrs E had asked Nationwide to cancel future payments, she said that further debits ought to be considered unauthorised. Under the relevant regulations, she said Nationwide were responsible for giving Mrs E a refund. She recommended Nationwide pay a total of £325 compensation to Mrs E and refund the £874.45 alongside any interest and charges that had been applied to that amount.

Nationwide didn't accept that outcome. It did agree to pay the additional compensation of £150 (plus the £25 it had previously offered but not yet paid). However, it said it didn't agree to refund the £874.45. It said that Mrs E couldn't recover that payment through chargeback or a section 75 claim.

As there was no agreement, the complaint has been passed to me for a decision.

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.

Nationwide has focused its argument on the chargeback rules and section 75 as a reason why it could not provide Mrs E with a refund and why it believed she wasn't entitled to one. However, this demonstrates a fundamental misunderstanding of its obligations in scenarios such as this.

Nationwide accepts that Mrs E contacted it on 7 March 2023 where she said that she no longer authorised S to debit her account (or words to that effect). As the recurring payment appears to have been set up as a continuous payment authority with S, Mrs E could cancel it with either S or Nationwide. Under the Payment Services Regulations 2017, any payments that S attempted to collect after this date were therefore unauthorised. The payment of £874.45 was taken around two weeks later.

The Financial Conduct Authority published a page titled "*continuous payment authorities: it is your right to cancel*" which was updated in 2021. This also confirms that where Mrs E notifies Nationwide of her request to cancel a continuous payment authority, it is Nationwide's responsibility to stop future payments immediately. Any payments that might debit after this, Nationwide is responsible for refunding to Mrs E, alongside any associated charges.

As Mrs E notified Nationwide before the payment of £874.45 had been taken, I'm satisfied that she hadn't authorised that transaction. Because of this, Nationwide are responsible for refunding her alongside any associated charges. It is irrelevant in these scenarios what S' cancellation terms were, whether Mrs E had a valid claim under section 75 or whether Nationwide has any chargeback rights. Nationwide was responsible for refunding the transaction because it was deemed to have been unauthorised.

Nationwide's continuous refusal to acknowledge this point or engage in any meaningful way with that argument has contributed to this dispute dragging on for substantially longer than it needed to. It has along the way accepted that it had not followed its own processes as well as it could have and paid Mrs E £150 compensation, as well as offering her a further £25 which has yet to be paid. Our investigator recommended that Nationwide should pay a total of £325 compensation to Mrs E for the distress and inconvenience its handling of the dispute has caused. Nationwide has agreed to pay this amount, and I think that this payment, alongside a refund of the £874.45 and associated interest and charges is a fair way to put things right.

The compensation of £325 should be paid directly to Mrs E (or the portion that has not already been paid). However, in refunding the £874.45, I think it's fair this is applied to the credit card balance. Nationwide should re-work the credit card as if the payment had been refunded from the point at which it originally declined her request for a refund.

Mrs E stopped paying off the balance of her Nationwide credit card when she raised the dispute. This has resulted in adverse information being reported to credit reference agencies. In the specific circumstances of this case, I don't think it would be fair to ask Nationwide to remove any information it has reported about the account payment history. I say this because the credit card had other transactions on there that Mrs E was always required to pay, and she made no payments towards those either. Therefore, I don't consider it unfair or inaccurate for Nationwide to have reported adverse information relating to Mrs E's payment history on the account.

My final decision

For the reasons given above, I uphold this complaint and direct Nationwide Building Society to:

- Re-work the credit card account as if the payment of £874.45 had been refunded at the time Nationwide declined Mrs E's request for a refund. In doing so, it should adjust any interest and charges that were applied to the account as a result of that payment.
- It should pay her a total of £325 compensation (if it hasn't already) for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 4 April 2025.

Tero Hiltunen
Ombudsman