

## **The complaint**

Mrs C complains that Nationwide Building Society blocked her account and sent money that was paid into her account back to source.

## **What happened**

Mrs C has a current account with Nationwide.

Mrs C and her husband owned a caravan. In August 2024 they decided to sell their caravan to a company I will refer to as B. They contacted B, who sent a representative to meet Mr and Mrs C on 19 August 2024 to look at the caravan. Following this Mrs and Mrs C agreed to sell their caravan for £700 to B. B paid Mrs C via bank transfer and took the caravan away.

On 20 August 2024, Nationwide were contacted by another bank who said B might not have been entitled to use the funds they paid to Mrs C.

In response, Nationwide contacted Mrs C and asked her about the payment she'd received from B. Whilst it looked into everything Nationwide blocked Mrs C's account.

Mrs C told Nationwide that she'd sold a caravan and provided details of the sale including photographs of the advert she'd seen to sell the caravan.

Nationwide reviewed everything and took the view that Mrs C had genuinely sold a caravan and hadn't been aware that she'd been paid using what it thought to be fraudulent funds. So, it decided to provide Mrs C with education about the risks of buying and selling goods. And returned what was left of the £700 (£686.77) back to the sending bank.

Mrs C complained. She said she was now out of pocket and lost the caravan that she had sold. In response, Nationwide said whilst it had every sympathy with Mrs C it had classed what happened as a civil dispute. It said it hadn't been part of the fraud investigation and acted on a legitimate request to return the funds. So, it said it hadn't done anything wrong.

Unhappy with this response, Mrs C brought her complaint to our service. She said she is out of pocket and wants the money she was paid for selling the caravan. She said she had no knowledge that there was anything untoward about the funds coming into her account. And she provided enough evidence that she was entitled to the money. So, she said Nationwide hadn't treated her fairly.

One of our investigator's looked at the information Mrs C had provided. They said Nationwide hadn't done anything wrong by reviewing and blocking Mrs C's account. However, they didn't think Nationwide had treated Mrs C fairly when it sent the money back to the sending bank.

To put things right the investigator said Nationwide should:

- Refund Mrs C the £686.77 along with 8% simple interest per annum for loss of use of these funds from 19 August 2023 until the funds are returned to Mrs C and
- Pay Mrs C £150 compensation for the trouble and upset the matter has caused.

Mrs C agreed. Nationwide didn't. In summary they said:

- Mrs C was in receipt of monies that had been confirmed as fraud, as such they were required to retrieve the money owed and refund the original victim.
- Whilst it understood that Mrs C says she was also the victim of fraud, it cannot override the rights of the original victim who raised the fraud with her own concerns about fraudulent activity.
- As Mrs C is without both her sold goods and her money, she does hold the right to raise this herself as a fraudulent transaction, and it would be happy to review her concerns for her. Nationwide cannot allow Mrs C to keep monies it knows are proceeds of crime despite them accepting that she was not aware of the fraudulent origins of the money.
- As such, they felt it would be prudent for Mrs C to raise her own fraud case for them to review to attempt to recover the funds she has lost.

As no agreement could be reached the matter has come 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.

#### *Account block*

I'll deal first with Nationwide's decision to block Mrs C's account. I want to make it clear that I understand why what happened concerned Mrs C. I've no doubt it would've come as quite a shock to her, and she would've been very worried to find out that her account had been blocked. But as the investigator has already explained, Nationwide has extensive legal and regulatory responsibilities they must meet when providing account services to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime.

I've considered the basis for Nationwide's review and decision to block Mrs C's account. Fraud is a serious matter. Nationwide had been contacted by another bank who told them, Mrs C had received fraudulent funds into her account. Based on this I'm satisfied that Nationwide's decision to block Mrs C's account was therefore legitimate and in line with its legal and regulatory obligations. Doing so also enabled Nationwide to consider how best to react to the information it had received from the sending bank about the money that had been paid into Mrs C's account. So, I'm satisfied Nationwide acted fairly by blocking Mrs C's account.

The terms and conditions of Mrs C's account also make provision for Nationwide to review and suspend an account. And having looked at all the evidence, I'm satisfied that Nationwide have acted in line with these when it suspended Mrs C's account. So, although I understand not having access to his account caused Mrs C trouble and upset it wouldn't be appropriate for me to award Mrs C compensation since I don't believe Nationwide acted inappropriately in taking the actions that it did when it blocked Mrs C's account.

### *Indemnified funds*

The crux of Mrs C's complaint is that she wants Nationwide to refund her the money she was paid as a result selling her caravan to B. Mrs C has explained that she has been very upset by Nationwide's actions and has lost her caravan and her money. So, she has lost out financially.

Having looked at all the evidence and circumstances of this complaint, I'm minded to say that the fair and reasonable outcome is that Nationwide should refund the money to Mrs C. I shall explain why.

First, I'd like to acknowledge the difficulties that this complaint presents. There was a particular tension for Nationwide here because on the face of it, both Mrs C and the sending bank's customer were victims. There is a natural impulse to restore positions as far as possible. It is well documented that banking fraud is very damaging not only to the financial sector itself, but more particularly to individuals.

Nationwide decided to return the funds to the sending business, so that it's customer, could be refunded. Nationwide said it did this on the basis that the sending business had provided Nationwide with an indemnity. And that the funds Mrs C received were the proceeds of crime. The effect of Nationwide's actions meant that Mrs C lost both her caravan which she'd sold legitimately to B and the money she had expected in payment for it.

In this case Mrs C had a credible complaint. There's no evidence to suggest Mrs C dishonestly procured the funds. Nor is there any evidence that she knew, believed, or suspected that the funds had been illegitimately procured by someone else in order to pay for the caravan. Nationwide also accepts this position.

Nationwide have said they were obliged to return the funds after receiving an indemnity for the sending business. However, I disagree with this. An indemnity is simply an agreement between the two financial businesses that provides some protection to the receiving bank being asked to return the funds by the sending business. It doesn't compel the receiving bank to return the funds, if following its own investigation, it establishes that its customer has a legal right to the money and was not involved in any fraud or scam. Based on the evidence it seems Nationwide also accepts that Mrs C isn't involved in fraud. So, I don't agree that the indemnity Nationwide received from the sending business placed any legal obligations on them to return the money.

I've also looked at Nationwide's terms and conditions and I can't see that there is a specific term that allows the bank to do what it did. However, even if there were I'd expect Nationwide to carry out its own investigation to establish if Mrs C had behaved fraudulently and to investigate the sending businesses' claim. This is in line with the industry best practice standards when receiving a report that their consumer has been the recipient of fraudulent funds.

I've looked at the report Nationwide received from the sending bank. Having done so, I think at best this is a civil dispute and not fraud. It appears that a customer of B was involved in a dispute about the return of a refund.

Whether a deposit is refundable is usually a contractual issue – this would be between B and their customer. Not Mrs C as she wasn't involved at all in those transactions – her only involvement is that she received some of the funds that happen to be in dispute. Having looked at all the evidence, I can't rule out the possibility that there has been a buyer/seller dispute here. So, I don't accept Nationwide acted fairly when it returned the payment to

source. I find the fair resolution here, based on the information I've seen, would be for Nationwide to return the funds it took from Mrs C's account.

Mrs C has also been deprived of these funds so I think Nationwide should also pay Mrs C 8% simple interest per annum for loss of use of these funds. Nationwide should also pay Mrs C an additional £150 compensation to reflect the trouble and upset the matter has caused her I say this because Mrs C had to spend time contacting Nationwide trying to sort out what had happened to her funds. And has been caused upset.

### **My final decision**

For the reasons I've explained, my final decision is that I partly uphold Mrs C's complaint. To put things right Nationwide Building Society should do the following to put things right:

- Refund Mrs C £686.77 that was returned to source.
- Pay 8% simple interest per annum on £686.77 from 20 August 2024 until the date the funds are returned to Mrs C\*.
- Pay Mrs C £150 compensation for the trouble and upset this matter has caused.

\*If Nationwide Building Society considers that it's required by HM Revenue & Customs to deduct tax from that interest, it should tell Mrs C how much it's taken off. It should also give Mrs C a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 18 April 2025.

Sharon Kerrison  
**Ombudsman**