

The complaint

Mr G and Mrs M complain Nationwide Building Society unfairly closed their account, wrongly applied a Credit Industry Fraud Avoidance System ('CIFAS' - the UK's fraud alert service) marker against Mr G and withheld funds they were entitled to.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points. Although this is a joint account, I will mainly refer to Mr G.

Mr G and Mrs M held a joint Nationwide account. On 15 March 2024 the account received a payment in of £10,000 from a third party who I will refer to as J.

On 29 March the account was blocked and Nationwide asked Mr G to provide details regarding the incoming payment. Mr G explained that he held USDT and that the funds paid in were in relation to his cryptocurrency trading. Mr G explained in detail that he uses a third-party platform to trade, and he wanted to bring money from this platform to his Nationwide account. Mr G explained he decided to sell his USDT due to the volatility of crypto trading and increased risk of scams. Mr G confirmed he purchased the USDT in question in 2021.

Mr G said he used peer to peer trading – which involved Mr G sourcing a merchant who would receive his assets on the third-party platform and deposit the corresponding amount in his Nationwide account. Mr G was in touch with a merchant who I will refer to as F and he was informed that the incoming payment for the sale of the USDT would be from J. Mr G said he didn't know why a fraud claim had been raised as he completed a legitimate transaction and had sold his USDT. Mr G uploaded documents to support his version of events.

On 14 May 2024 Nationwide reached out to Mr G again and asked for further details. Mr G explained he had already provided evidence and this was reviewed. Nationwide made the decision to close Mr G and Mrs M's account in April 2024. Nationwide did this with immediate effect and also applied a CIFAS marker against Mr G. Nationwide returned £2,825.87 to the sending bank. Mr G had transferred the remaining £8,000 to an account he held with a third-party bank who I will refer to as B. Nationwide recalled this payment due to the fraud claim received.

Mr G raised formal complaint about the handling of his funds and the closure of the account. In its final response letter dated 12 June 2024 Nationwide said it was within its rights to close the account immediately, as the account terms allow this. It did acknowledge instances of poor service and offered Mr G £75 in recognition of these.

An Investigator reviewed Mr G and Mrs M's complaint and gathered evidence from both sides. In summary, the Investigator made the following findings:

- Nationwide needed to determine Mr G and Mrs M were entitled to the funds, so the account restriction was fair.
- However, Nationwide hasn't clearly shown that Mr G knew he was receiving

- fraudulent funds. Mr G appears to have completed a genuine sale of USDT.
- Nationwide should therefore return the £2,825.27 that it returned to sender.
- Nationwide should've given Mr G and Mrs M notice when it decided to close their account.
- Nationwide hasn't met the burden of proof required to load a CIFAS marker against Mr G.
- Nationwide didn't receive the £8,000 back from the third-party bank B that Mr G moved the funds to. Mr G will therefore need to address this with B separately.

In order to put things right the investigator recommended Nationwide remove the CIFAS marker applied against Mr G, refund the £2,825.27 it returned to sender, with 8% simple interest applied from the date the funds were removed from the account to the date they are returned. They also recommended Nationwide pay Mr G and Mrs M £300 for the inconvenience and upset caused by the handling of their account.

Nationwide disagreed with the recommendations. It said it acted in line with its obligations given the fraud report received, and it returned the funds and closed the account in keeping with the account terms. Nationwide said the documents sent by the Investigator to support their view aren't compelling pieces of evidence. It accepted this could be a 'middle man' scam scenario, and Mr G could've legitimately been selling crypto but the evidence provided isn't adequate to prove this. Nationwide did however agree to remove the CIFAS marker applied to Mr G.

Mr G accepted the recommendations but also provided further details regarding the £8,000 that was sent to his account with B. Mr G asked for further details from Nationwide as B had confirmed these funds were sent back to Nationwide as they were recalled and payment tracking details were provided. This further evidence was submitted to Nationwide, and it explained that it couldn't trace the whereabouts of this payment.

As no agreement could be reached, the complaint has been referred to an ombudsman for a final decision. I issued my provisional decision on 10 July 2025. Both parties have replied, so I will now issue my final 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.

I've included my provisional findings below.

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr G and Nationwide have said before reaching my decision.

Banks 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 bank's need to restrict, or in some cases go as far as closing, customers' accounts.

Nationwide has provided me with an explanation, and some supporting evidence, to show why it decided to effectively block the account in March 2024. As Mr G is aware – the review and block were prompted by a fraud claim it received regarding the incoming payment of £10,000. Having carefully considered this and the account terms, I'm satisfied it acted in line with its obligations in restricting the account.

Nationwide has explained to Mr G that it received a request from the sending bank for the incoming payments to be returned. Nationwide blocked the account immediately, and asked Mr G for evidence relating to the funds. Mr G provided evidence to demonstrate his entitlement to the funds – these included details of the sale from the third-party platform he used to sell the USDT and details from the buyer J. Nationwide didn't consider this evidence sufficient to demonstrate Mr G was the victim of a scam. I understand Nationwide's reservations about relying on this evidence alone, but I find Nationwide should've carried out a more thorough review and asked Mr G for additional evidence.

Nationwide says there wasn't information to support Mr G's claim he was the victim of a scam. In such instances there's always a possibility a customer may themselves be unwitting victims of a scam. So I think Nationwide failed to carry out the level of due diligence and investigation required to satisfy itself that Mr G wasn't acting in good faith.

Part of Nationwide's reasoning for returning some of the funds to sender and recalling the remaining funds that were transferred to B by Mr G is that it is under a regulatory duty to return these funds following an indemnity claim. Nationwide is obligated to take such claims seriously, but there isn't an automatic assumption that funds ought to be returned. The best practice guidelines for APP scams say that generally funds should be returned – except in certain situations, such as where the recipient has a credible claim to them. As soon as Nationwide reached out to Mr G he explained that he had a claim to the funds. At this point it should've conducted its own review, and the refund is based on adequate due diligence being carried out. Which, as I've said, I don't think was.

That brings me to the crux of this complaint, which is whether Mr G has shown he was entitled to those funds and has likely been the unwitting victim of a scam. Nationwide does not agree Mr G has shown he was entitled to the funds, and it points to certain evidential inconsistencies to support this. However, Nationwide has also accepted the evidential requirements to show Mr G was 'witting' in his involvement with fraud haven't been met and has agreed to remove the CIFAS it loaded against him. In my view, the acceptance by Nationwide that the evidential requirements for loading a CIFAS marker haven't been met, clearly suggests the evidence provided also doesn't clearly support the premise that Mr G knowingly received fraudulent funds.

Mr G has provided detailed evidence to this service. In instances where Mr G hasn't been able to provide supporting evidence, he has outlined his attempts to obtain this evidence from the third-party platform he used. Overall, I'm persuaded that the evidence Mr G has sent to this service shows that he was entitled to the funds, and that he has been the victim of a crypto related scam. My reasons for this are:

- *Mr G has provided downloaded evidence of the third-party platform he used – this includes details of his account, and the transaction for the USDT. Mr G has provided*
- *order details, transaction receipts, specific dates and screenshots of this account. The evidence from this platform is clear and corresponds with Mr G's testimony around the transactions.*
- *Mr G has provided emails from the third-party platform confirming that he sold £10,000 worth of USDT to F.*
- *Mr G has provided a video detailing his chat with F – this covers the sale of the*

USDT and the subsequent correspondence following the fraud claim. Mr G clearly asks for evidence from F – in particular KYC details from J, to help show Nationwide his entitlement to the funds.

- F provided Mr G with details of J – this includes a photo and driving license. Mr G wasn't aware until the sale was complete that the payment would be from J – but this evidence shows Mr G was acting based on the instructions from F and believed F and J were working together.
- Mr G has provided details of the complaint he raised with the third-party platform regarding the transfer. Mr G also referred his concerns to the police. These referrals support the view that Mr G wasn't involved with the fraudulent activity.
- I now turn to Mr G's testimony, which has been consistent and detailed throughout his complaint. As part of this service's review details have been obtained from Mr G relating to his third-party crypto trading platform. Mr G has confirmed he held an account since 2011 and due to volatility with crypto and scams he made the decision to sell his assets.
- From the time the fraud claims were highlighted to Mr G to the escalation of his complaint to this service, he has been in touch with the third-party platform asking for assistance and support. Mr G has provided screen shots of his attempts to obtain details and escalate the issue further. I find this evidence supports his version of events and his belief that he was completing a genuine transaction.

So, in conclusion, and after weighing everything up, I'm persuaded Mr G has shown he acted in good faith and had accepted payments into his account after selling USDT. I also find that Mr G has most likely been the victim of a scam that he knew nothing about and where he had acted in good faith by selling his crypto assets. Had Nationwide investigated Mr G's entitlement as it should have, it would have been sent this information too and realised he was entitled to the funds sent.

I now turn to the funds themselves, and the action Nationwide took at the time. I can see that £2,825.87 was returned to sender. However, the £8,000 that was transferred by Mr G to his account with B has been the source of further issues. I say this because Mr G has liaised with B to try and ascertain where the funds were sent when Nationwide recalled them. The funds did not re-enter Mr G's account and B has confirmed they were sent back in February 2025, and it has provided the account details and a reference number for the payment. Nationwide says it can't locate this incoming payment. At present it's not entirely clear where these funds are currently being held.

Nationwide acted improperly in not carrying out the required level of due diligence here and because of that it sent the funds back to source which it otherwise wouldn't have. It also reversed the payment Mr G made to B, and now it isn't clear where these funds are. Due to the reasons outlined above, I am currently satisfied that Mr G has provided sufficient evidence to show he completed what he regarded to be a genuine sale of his USDT, and he wasn't complicit in the fraud that was reported to Nationwide.

As Mr G has been deprived of these funds for much longer than he ought to have, I'm persuaded Nationwide should also pay 8% simple interest on them. But an investigation like the one it should have carried out would have taken time. I think a four-week period from the date Nationwide was notified by the sending bank of the fraud claim is a reasonable time frame. It allows a fair amount of time for Nationwide to have conducted its investigation and for Mr G to provide evidence to support his entitlement to the funds.

Nationwide has already agreed to remove the CIFAS marker that was recorded against Mr G. Given the impact the marker has had on Mr G I consider the £300 compensation recommended by the Investigator to be fair compensation for the distress and inconvenience

caused to Mr G.

Putting things right

To put things right, Nationwide Building Society should:

- *Pay Mr G and Mrs M the funds it returned to sender – this is £2,825.87.*
- *Pay Mr G and Mrs M the funds it recalled from B – this is £8,000.*
- *It should also pay Mr G and Mrs M 8% simple interest on both £2,825.87 and £8,000 from 4 weeks from the date it received the fraud claim up until settlement**
- *Pay Mr G and Mrs M an additional £300 compensation for the distress and inconvenience it caused.*

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

Responses to my provisional decision

Mr G responded to my provisional decision, accepting my findings in full.

Nationwide responded and disagreed with the provisional decision. Nationwide agreed to refund the £2,825.87 that was returned to sender including 8% simple interest and to pay £300 compensation. Nationwide didn't agree it should refund the £8,000 that Mr G had transferred to his account with B.

Nationwide said that the '*person in the middle*' argument is relevant, and the scam could take place in many ways, with the final result being the fraudster obtains free crypto. Nationwide gave an example of how the scam may work and explained that APP requires banks that are part of the process to return funds back to the reporting firm if funds remain. Nationwide said the information from Mr G didn't show the funds were genuine. Mr G didn't contact Nationwide about evidence until 18 April 2024, nearly a month after the report was made. Nationwide also said Mr G hasn't raised a scam complaint with Nationwide, and if he has been a victim this needs to be raised separately. Nationwide said it is unable to give the customer £7,070.88 when no scam or fraud report has been received.

I've thought carefully about Nationwide's submissions. As detailed in my provisional decision I understand Nationwide's obligations upon receipt of a fraud or scam report. However, there is also an obligation on Nationwide to its customer – in this case Mr G and Mrs M. This means that if there is a credible claim to the funds, steps should be taken to investigate. This includes obtaining further details from the sending bank. In this case I haven't been provided with evidence to demonstrate Nationwide took further steps to test the strength of the report received.

Nationwide has also referred to the timeline of events, stating the delay in Mr G contacting it about evidence. The account was blocked on 29 March 2024, and Nationwide says Mr G didn't get in touch until 18 April 2024. I don't consider this delay to be so significant that it casts doubt on the submissions he subsequently made, and the evidence provided.

I must also highlight that Nationwide has accepted to refund £2,825.87 with interest back to Mr G and Mrs M. In my view, this demonstrates its acceptance that the funds were returned to sender incorrectly. I can't see a clear argument for the remaining funds to be treated differently. Essentially, as my provisional decision explained, Mr G has provided what I consider to be sufficient evidence to show his entitlement to the funds received. The transfer

of £8,000 to B, and the subsequent issues with tracing these funds is due to Nationwide's decision to recall the funds. So, I consider it fair and reasonable for Nationwide to return this full amount to Mr G.

Overall, whilst I've carefully considered Nationwide's comments, I am not persuaded by its additional submissions. I therefore uphold this complaint in full.

Putting things right

Nationwide has confirmed that it has traced the £8,000 that was sent back from B, and from this £7,070.88 was sent to the sending bank, and £929.12 was sent back to Mr G's account with B.

Therefore, to put things right, Nationwide Building Society should:

- Pay Mr G and Mrs M the funds it returned to sender – this is £2,825.87.
- Pay Mr G and Mrs M the funds it returned to sender once sent back from B – this is £7,070.88.
- Nationwide states it has returned £929.12 to Mr G's account with B – Nationwide should provide Mr G with confirmation of this.
- It should also pay Mr G and Mrs M 8% simple interest on the amounts £2,825.87, £929.12 and £7,070.88 from 4 weeks from the date it received the fraud claim up until settlement*
- Pay Mr G and Mrs M an additional £300 compensation for the distress and inconvenience it caused.

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

My final decision

I uphold this complaint direct Nationwide Building Society to put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Mrs M to accept or reject my decision before 12 September 2025.

Chandni Green
Ombudsman