

The complaint

Mr and Mrs H complain that Nationwide Building Society won't allow them to make an overpayment onto their mortgage using a credit card. Mr H says Nationwide has previously accepted payment by credit card, so he wants it to do so again.

What happened

Whilst this complaint is brought by both Mr and Mrs H, as the mortgage is in both their names, our dealings have been with Mr H. So I'll mainly refer to him in this decision.

Mr H said Nationwide had told him that under no circumstances could he make an overpayment on his mortgage, using a credit card. He said Nationwide told him it wouldn't allow a debt-to-debt payment on his principal mortgage balance.

But Mr H said Nationwide had said that before, when he wanted to pay an Early Redemption Charge ("ERC") to come out of his previous fixed interest rate deal, and take up a better offer. Mr H said that time, Nationwide then changed its mind, and said it would accept a credit card payment after all. This time though, Nationwide said it wouldn't change its mind, even though its collections team could take card payments.

Mr H said Nationwide was denying him the chance to overpay by his method of choice, and to access a better rate than he was paying on his mortgage balance. He said Nationwide should be open to helping its members, have a flexible approach, and ultimately to accept this payment from him.

Nationwide said it wouldn't accept a credit card payment for overpayment on a mortgage, because it won't allow a debt-to-debt payment on a principal mortgage balance. It said when it had accepted a credit card payment from Mr H in the past, that was for a charge, not a payment towards the mortgage debt itself.

Our investigator didn't think this complaint should be upheld. She said Nationwide had set out reasons why it didn't accept credit card payments for a mortgage payment, and she thought those were reasonable. But she also said Nationwide was prohibited from doing so by rules set by the global payments system it uses.

Mr H didn't agree, and set out detailed objections. He wanted this complaint to be considered by an ombudsman, so it was passed to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I didn't propose to uphold it. This is what I said then:

Mr and Mrs H have shown us that they previously paid an Early Redemption Charge ("ERC") with a credit card. And they said it would be possible for them to pay their mortgage with a credit card if they were in financial difficulties.

Nationwide has accepted that Mr and Mrs H paid their ERC with a credit card, when they paid to end their existing fixed interest rate deal, and change to a much better rate. I can hear on Nationwide's call with Mr H its agent accepted that this was a payment of credit, using credit. But Nationwide says that was wrong. It says the money that Mr and Mrs H paid on a credit card was for a charge. It wasn't used to pay off lending that Nationwide had made to them. So they didn't then pay for credit using credit.

I think Nationwide corrected the mistake its agent made on the phone about this, in its complaint response letter to Mr H. I can see there it said that Mr H can use a credit card to pay account fees and charges, but he cannot pay monthly payments or overpayments using a credit card.

And what Nationwide says now is consistent with this, that it can accept a credit card for the payment of fees – so someone can pay for things like an ERC, or a product fee, with a credit card if they wish. But it won't accept the payment of ordinary monthly mortgage payments, or the payment of overpayments, by credit card.

I note Mr H said he was at first told it wasn't possible for him to pay the ERC using a credit card. If that's what happened it may have been a mistake by the call handler at the time, but that's not what Mr H is complaining about here, and I have no details of what happened at the time. I'm satisfied that, for present purposes, Nationwide has now set out its policy clearly.

On the question of whether Mr and Mrs H would be able to pay their mortgage with a credit card if they were in arrears, I think that a misunderstanding may have crept in during our service's consideration of this complaint.

Mr H was told on his call with Nationwide on 1 October 2024 that he couldn't make an ordinary mortgage payment with a card. Nationwide said card payments made towards the mortgage itself are only taken by the collections team, when someone is paying late or is in arrears. However, I can hear at the start of this call that Nationwide's agent said that the collections team can't accept credit card payments. So I don't think Nationwide ever told Mr H that it would accept a credit card payment from someone who wants to pay mortgage arrears.

Nationwide has shown our service that it can't accept payments for either monthly mortgage payments or overpayments using a credit card, because the rules set by the global payment network it uses, prohibit this. These rules also seem to me to prohibit payment of mortgage arrears to Nationwide using a credit card.

Mr H has said to Nationwide that anyone can make a credit card payment for anything. But that's not right. As well as treating some payments differently to others (so some payments are treated as a cash advance, even though they may not directly involve cash) the payment network does also put some restrictions on payments that can be made.

I understand that Mr H feels he is in a position where the payment of mortgage credit using his credit card, could benefit him, and save him money. So he feels that Nationwide should be able to make an exception. But this complaint is against Nationwide, not against the global payment network that Nationwide uses. Where the payment Mr H wants to make is prohibited by the payment network, I could not, fairly and reasonably, uphold a complaint against Nationwide for not allowing such a payment.

I know Mr and Mrs H will be disappointed, but I don't think this complaint should be upheld.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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 replied to say that it doesn't allow card payments, unless it's to clear arrears or pay fees such as an ERC, a valuation fee or a product fee. It said that it cannot accept credit cards to make payments to a customer's mortgage. So Nationwide said it still felt it had made the right decision in this case.

Mr H replied to disagree. He said both our service and Nationwide had said they don't allow payments in which debt repays debt, and don't allow credit card payments on mortgages. Mr H said both of those things were wrong.

Mr H repeated that he'd paid his ERC with a card, although that wasn't a payment directly to his mortgage, he said it was still a debt, so he had paid a debt with debt. He didn't think Nationwide should be able to just change the word it used, calling this credit instead, and hide what it had done.

And Mr H said our service had told him that Nationwide could accept a credit card if he was in financial difficulty. So he thought that not allowing him to make a large payment towards his mortgage when it would benefit him was unfair – he didn't think there should be one set of rules for when he was having payment difficulties and Nationwide wanted to get paid, and another for when he wanted to benefit from a good deal on his credit card.

Mr H also wanted me to go through a number of exchanges he'd had with our investigator, and respond on those. I have read these, but won't respond in detail. My role here is to look at this complaint with fresh eyes, and to take a new and independent decision on the case.

Having done that, I'm sorry to have to say that I do think a mistake had been made previously. As I set out in my provisional decision, I understand we'd set out for Mr H that if he was in mortgage arrears, he would be able to pay those arrears with a credit card.

But that was wrong. He can't.

I've seen the card scheme operator's rules on this. They will not allow Nationwide to take a credit card payment to clear mortgage arrears. I don't think Nationwide does want to allow its customers to pay mortgage arrears with a credit card. But for present purposes, it doesn't matter whether or not Nationwide wants to do that. It cannot.

Mr H has said it isn't fair for Nationwide to allow credit card payments to reduce his mortgage balance when he's in arrears, but not when he wants to get ahead on his mortgage. I understand why Mr H would be unhappy if that were the case, but I hope I've now made clear that it's not. Nationwide can't take credit card payments in either circumstance.

Nationwide can take credit card payments for a fee associated with the mortgage – like the valuation fee, or the product fee that customers pay when they take out a new mortgage, or

like the ERC Mr H paid when he changed to a new mortgage deal before the end of the old one. It isn't prohibited by the card scheme operator from doing that.

So I don't think this is simply a convenient use of language, or some sort of double standards by Nationwide. I still think that this case shouldn't be upheld, because Nationwide is prohibited by the card scheme operator's rules from taking the credit card payment to reduce Mr H's mortgage debt, that Mr H would like it to accept.

Mr H has also sought to persuade us that what he'd be doing, in borrowing money from a credit card in order to reduce his mortgage, isn't irresponsible, because he could always borrow back an overpayment. But I don't think Nationwide has turned down his request just because it believes this is irresponsible. I think that whatever conclusion Nationwide reached on whether Mr H should be paying his mortgage with a credit card, it would still have turned him down, because Nationwide cannot accept the payment he would like to make.

For those reasons, I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that I don't think this complaint should be upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs H to accept or reject my decision before 2 September 2025.

Esther Absalom-Gough
Ombudsman