DRN-5739290

Financial Ombudsman Service

The complaint

Mr J and Mrs J are unhappy that Nationwide Building Society (Nationwide) rejected an international payment into their account, and this resulted in a financial loss.

What happened

I issued a provisional decision on this complaint, inviting both parties to let me have any further comments. Below is a copy of what I provisionally decided and why.

Mr and Mrs J were expecting to receive money from an estate held in a trust account in the USA. A payment of $300,000 was sent to their joint account on 14 June 2024 and was converted to £235,348.88 by Nationwide's correspondent bank but was then rejected by Nationwide. As a result, the payment was converted back to USD and $292,609.26 was returned to the sending bank on 24 June 2024.

Shortly after, Mrs J complained to Nationwide about the payment being rejected and the amount returned by them. While this was being investigated, the trust sent a $50 test payment to Mr and Mrs J which was also rejected. So, they set up an account with another UK bank and the payment was successfully completed using the same sender details - £226,465.09 was received into the new bank account.

Nationwide explained that the rejection was due to lack of full names in the senders account details, as this didn't meet the Funds Transfer Regulation (FTR) requirements. They also explained that the difference in the amount returned to the sender was due to the payment being converted twice, and this was reasonable as they didn't take any commission from it. Dissatisfied with the response, Mr J and Mrs J brought the complaint to our service as they were unhappy with the amount lost due to Nationwide rejecting the payment.

Our Investigator reviewed the complaint and concluded that the reason for rejecting the payment, and the exchange rates applied to the currency conversion to sterling and back to USD were reasonable. Mr and Mrs J disagreed as they felt that Nationwide didn't act in line with FTR best practice and should have requested further information before rejecting the payment, particularly as it would have prevented a significant loss to them. As such, the complaint has been passed to me for a final decision.

What I've provisionally decided – and why

I can see that Mr and Mrs J have provided detailed submissions explaining why they disagree with the outcome reached. I've reviewed these and considered them alongside the key evidence on the case. While I may not comment on everything that's been raised, I've still taken it on board. I'll be commenting on the points that I think are key to the outcome.

It's not our service's role to tell a business to change its processes. But we must consider whether a business has acted fairly and reasonably in all the circumstances of a complaint, taking into account rules, regulations, industry guidelines and best practice at the time the event took place.

Nationwide's currency exchange process

Nationwide only offers sterling-based accounts, and the society has explained they use a correspondent bank to undertake currency conversions when sending or receiving payments.

When a payment is received in a foreign currency, the correspondent bank will convert it to sterling before it reaches Nationwide. And when a payment is sent the consumer can choose for the correspondent bank to convert it to a currency suitable for the destination account. Nationwide's said that no commission is taken when the payment is converted, however a 0.5% margin is added to the wholesale market exchange rate for incoming transfers and a 2.2% margin is added for outgoing transfers.

This is different to how some other payment service provider's (PSP's) handle incoming international payments, as they're often able to review an incoming payment and reject it before converting the payment to the receiving account's currency. This doesn't mean that the process used by Nationwide is unreasonable. But I think it does mean that the society should be well aware of the potential costs (and foreseeable financial harm) that rejecting international payments can lead to for consumers – particularly as the margin that they've agreed to can have a significant impact on large payments.

The guidance on handling international payments

Nationwide's said that the payment was rejected based on the requirements of the FTR as no full names could be seen in the sender's payment details. I've reviewed the payment details, and I agree that the payment was sent from an account held by multiple parties which meant the names included on the payment had to be limited to the first initial and surname.

Mr J and Mrs J have provided evidence of their contact with the provider of the trust account. That bank has said they're required to enter the details that reflect the correct account name, and they can't change the names due to US regulations – in this case, initials were used due to the character limit set by the payment system. Mr and Mrs J have evidenced that the payment was successfully accepted by another UK bank using the same details – initials and surnames. So I've reviewed Nationwide's reasons for rejecting the payment and whether industry guidance supports it.

I've reviewed the FTR, I've also found that UK Finance published a paper on 8 August 2023 titled 'Funds Transfer Regulation – 'How to' Interpretative Guidance' for UK PSPs, which explains how the FTR should be interpreted and applied. While this isn't legal or regulatory guidance, it does provide detail and instructions to UK Finance members (which includes Nationwide) about how the FTR should be applied. As such, I think it's reasonable to take this guidance into account when considering the approach Nationwide took, as it helps to establish what good industry practice looks like, and I'm satisfied that Nationwide would have had sight of this paper.

The FTR includes provision for PSPs to reject a transfer or hold it for review if there is missing or incomplete information and it sets out that the name of the payer should be included. So, I can see why Nationwide treated the lack of first name in the payment details as missing information.

But the Interpretative guidance explores Article 4 (1) of the FTR further, particularly when there are technical limitations. I've found the following explanations to be particularly important.

"Where character limits restrict the ability for the firm to provide the payer's full legal name (e.g. in the case of joint account holders), the firm should document the order of priority for populating Wire Transfers with payer information, giving priority to payer information used in sanctions screening and used by law enforcement to trace the payer (e.g. de-prioritising

titles and full middle names, whilst prioritising the initial of the given name and the full family name)."

"Where there are joint accounts where there is no primary and secondary account holders, firms should provide both names, giving priority to family name over given names."

The guidance also provides an example of how the materiality of missing information can be assessed when exploring Article 8(2) of the FTR.

"The materiality of missing payer / payee information. A firm should assess materiality on the importance of the missing information to trace the Wire Transfer to the payer / payee and to subject them to sanction screening e.g.

• Name: A firm may consider an entirely missing payer or the payee name as material, but a missing title or shortened given name as less material (especially where external payment infrastructure imposes a character limit);"

As referenced above, there's specific guidance on how firms can assess and respond to scenarios where a sender is unable to include the full details.

The best practice guidance gives clear instruction on how firms can treat situations like this and request further information if required, so I'll review whether I think Nationwide has fairly taken this into account in this particular case.

Rejecting the payment

Nationwide are allowed to set their own risk-appetite when accepting payments but, as I've already said, I need to see that they've acted reasonably in the circumstances of the individual complaint and good industry practice at the time.

As per the guidance above, the most reasonable way for the sending bank to have sent this payment was with initials and surnames due to the number of sending account holders. Nationwide hasn't suggested that they were concerned about the origin of the payment, but only that it is in line with their internal guidance to reject payments that don't have the full originator names. So, I'm satisfied that the rejection was due to their in-house process rather than having material concerns about the payment and the risk of accepting it. So, I think it's likely that Nationwide would have accepted it if they had the full names of the sending account holders.

Nationwide's chosen currency conversion process involves converting an incoming payment into sterling before assessing whether it can actually be credited to the account held with them. I think Nationwide ought to have been aware that rejecting the payment would have led to potential losses for the sender of the funds and with a payment of $300,000, this could result in thousands lost through the reconversion process. So, I think Nationwide should have carefully considered whether they could request further information to satisfy their concerns – as suggested by the UK Finance guidance - rather than simply returning the payment.

Taking into account the circumstances at the time, I don't think Nationwide did make this decision carefully and applying a 'one size fits all' approach has led to rejecting a payment that would have been very difficult (if not impossible) to send to them in any other way. I can see that there was a clear line of communication to the sender of the funds via correspondent banks and that Mr J and Mrs J were monitoring things closely. So had the society asked either party for details of the full names, I think it's more likely than not that the necessary information could have been obtained within a reasonable time.

Based on what I've seen, in this particular case, I currently think Nationwide should have explored this option before rejecting the payment and had they done this, I think it's likely that they would have been provided with the details required to satisfy their process. I don't think the approach the society applied here was reasonable, particularly as the funds had to be converted back to USD with a 2.5% margin as part of the rejection.

I'm also not currently persuaded that this mechanism, and the related potential for financial loss, is clearly explained on Nationwide's website or in the account terms and conditions. The website warns that the sender's full name must be given, or the payment might be rejected and this means the sender won't get all the money they sent "due to exchange rates and charges". But no monetary examples are given – whereas they are in other sections of this webpage. And I don't think a layperson, like Mr and Mrs J, would necessarily understand from this the potential scale of the loss they would suffer – as a result of the 0.5% incoming exchange margin and the 2.5% outgoing margin being applied – simply because Nationwide's processes allow for the payment to be converted before the society checked if it would accept the money. I think this means consumers like Mr and Mrs J would have difficulty making an informed choice about whether to use Nationwide to receive their international payment rather than another bank.

Putting things right

After converting to GBP, the amount received by Nationwide was £235,348.88. Had they acted in line with good industry practice, I think it's likely that this amount would have eventually been accepted and credited into Mr and Mrs J's account.

A payment of £37.22 and £226,427.87 (totalling £226,465.09) was received from the trust into the new account Mr J and Mrs J set up with the other UK bank. I'm satisfied that the difference in this and the amount originally received by Nationwide was due to the multiple currency conversions and the fees in the funds being rejected and sent to a new account. Based on the above, this wouldn't have happened if Nationwide handled the payment reasonably, so I think they should pay the difference.

Mr and Mrs J have also not had the benefit of that higher payment since the date it ought to have credited their Nationwide account. So, I think they should be paid interest on the shortfall to compensate them for that. It's not entirely clear to me why it took 10 days (from 14 June to 24 June) for the money to be returned after it was sent. But it's possible it may have taken additional time for the money to be credited to Mr and Mrs J's account if Nationwide had undertaken the additional checks I've talked about above. I can't know how long that might have taken but I think one week is a reasonable estimate when added to the existing 10 days. So I currently think the interest should be added from 1 July 2024 onwards.

I can see that the payment issues led to lots of correspondence between parties for Mr and Mrs J, which would have resulted in stress and worry as they were handling a large amount. They had to spend time on the phone with Nationwide and time going back to the sender of the funds to work out what happened and how to resolve things. This was, it seems at least in part, because Nationwide (or its correspondent bank) didn't make it entirely clear why the payment had been rejected. It also led to them having to set up a new account and I can see that the purpose of this was for the receipt of the funds after they were rejected by Nationwide.

I've taken into account that Mr and Mrs J may well have had to engage in some additional correspondence had Nationwide taken further steps to verify the sending account names. But I currently think this unnecessary, extra distress and inconvenience should be recognised with £250 compensation.

My provisional decision

My provisional decision is that I intend to uphold this complaint and direct Nationwide Building Society to pay Mr J and Mrs J:

- *£8,883.79 representing the difference between the payment received by them and the payment received into the new UK bank account; plus*
- *Interest on the £8,883.79 calculated at 8% simple interest per year from 1 July 2024 to the date settlement is made.*
- *£250 compensation.*

<u>Responses</u>

I asked for both parties to let me have their responses by 25 July 2025. Mr and Mrs J responded accepting what I said. Nationwide responded disagreeing with what I said, I've summarised the reasons they provided below;

- They think the payment rejection was in line with their interpretation of FTR and they wouldn't have contacted the consumers or the sending bank for more information before rejecting the payment.
- They don't think they should be liable for the exchange rate losses as they haven't made an error.
- They provide guidance for exchange rates and international payments on their website. One of the webpages advises that the full name of the sender needs to be included in payment details, otherwise they may reject the payment.

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 taken onboard Nationwide's response, but it doesn't convince me to depart from my provisional decision. I'll explain why.

To be clear, my decision isn't that Nationwide should change their processes as that isn't my role. My role here is to assess whether Nationwide has acted fairly and reasonably, taking into account regulations, industry guidelines and best practice. And my findings will be based on the specific circumstances of this complaint.

Nationwide says they've followed their interpretations of the FTR and I don't disagree with this. However, I've drawn specific attention to a paper that was issued to provide guidance on how to interpret the FTR. Nationwide haven't engaged with this reasoning or suggested that the guidance shouldn't apply to them, so I see little reason to depart from the conclusions I reached about the application of that guidance in this situation.

To be clear, I'm satisfied the payment was sent in the way that the FTR interpretative guidance suggests it should be sent when there is a character limit and as Nationwide is a UK Finance member, they would have had sight of this guidance. This payment was held by Nationwide for 10 days and based on the circumstances of the payment and the loss that returning the payment could lead to, I think they could (and, arguably, should) have used this time to gather further information about the names provided on it instead of eventually rejecting it.

Nationwide's said that they wouldn't contact their customer about a payment they've received. I'm not convinced by this, but even if I was – they still would have had ample time to contact the sender of the funds via the correspondent banks in the payment chain. Mr and Mrs J were actively monitoring things and remained in contact with the sender of the funds, so this would have still been a way to obtain the information quickly and ultimately satisfy any concerns about where the payment came from.

Nationwide's website highlights the need for a full name and provides a warning for what could happen if payment details are missing, it states 'If any of this information is missing, the payment may be rejected'. In their submissions, Nationwide have taken a strict approach in returning payments that included incorrect or incomplete information. However, the use of 'may' in their wording of the warning suggests that there is scope to do something else if the situation arises.

Taking into account all the circumstances of this particular complaint, my conclusion is that Nationwide has acted unreasonably and must pay Mr and Mrs J compensation to put things right (as set out below).

My final decision

My final decision is that I uphold this complaint and direct Nationwide Building Society to pay Mr and Mrs J:

- £8,883.79 representing the difference between the payment received by them and the payment received into the new UK bank account; plus
- Interest on the £8,883.79 calculated at 8% simple interest per year from 1 July 2024 to the date settlement is made.
- £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J and Mr J to accept or reject my decision before 10 September 2025.

Chris Lowe
Ombudsman