

complaint

Mr and Mrs S have complained that Nationwide Building Society (“Nationwide”) changed their account type without their knowledge, which meant they lost the travel insurance that had previously been included with their account.

background

Mr and Mrs S held a Flex Account with Nationwide. This account didn’t attract a monthly fee, but included free worldwide travel insurance for account holders.

Mr and Mrs S say that around November 2017 they visited a Nationwide branch to register to use online banking, following Nationwide’s publicity about the service. At that point, instead of just the online banking registration being completed, their account was changed to a Flex Direct account. The Flex Direct account is also a fee-free account, but it doesn’t include the free travel insurance policy that was included with Mr and Mrs S’s Flex Account.

Mr and Mrs S say they were unaware that their account had changed. They say they were told their account would continue as normal – including their account number, sort code, and existing cheque books. So they were unaware they were no longer covered by the Flex Account’s travel insurance policy. This meant that they didn’t have any travel insurance cover in place when they had to cancel a trip recently, and so they say they’ve lost out as a result of what Nationwide didn’t tell them.

Our adjudicator didn’t think Nationwide had resolved the complaint fairly so he recommended the complaint was upheld. Nationwide didn’t agree, so the complaint has come to me to make a decision.

my findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Where evidence is incomplete and matters are in dispute, as they are here, I make my decision based on what I think is *most likely* to have happened – keeping in mind everything I’ve seen and been told.

After giving the complaint a lot of thought, I’m going to uphold it. I’ll explain why.

I’ve looked at Nationwide’s response to Mr and Mrs S’s initial complaint. In the letter it has said that its “Personal Banking Manager” would’ve completed a checklist when Mr and Mrs S converted their account. Nationwide hasn’t provided a copy of an actual checklist, but it has provided a document which outlines its branch processes.

I accept that the document Nationwide has provided does outline what the Personal Banking Manager should’ve done in the branch. But the document Nationwide has provided is 38 pages long – and includes many other instructions and scenarios for various types of account opening and conversion processes. In this case, and having thought about all of the circumstances including what Mr and Mrs S have said, Nationwide providing that document doesn’t persuade me that it was followed.

In Nationwide's response to this complaint it also said that Mr and Mrs S would've been sent a welcome letter for the Flex Direct account once it had been opened. I've noted that Nationwide has said that letter would've reminded Mr and Mrs S that they were no longer covered by their previous travel insurance policy, and it also said it would've instructed them to read the accompanying literature that was sent with the letter.

I've looked at a sample of the Flex Direct welcome letter and I'm afraid I don't agree with what Nationwide has said about its content. Whilst it does give a cooling off period for Mr and Mrs S to change their mind about the account, it doesn't mention that they were no longer covered by the travel insurance policy. And without being told that, I can't see any reason they'd have had reason to think that was the case, or change their mind about the Flex Direct account – especially as I don't think they were aware of the change in the first place.

I note that in its response to this service Nationwide also referred to its terms and conditions – and in particular point 3.2 of its Flex Plus account terms and conditions, which explains that the account benefits would no longer be applicable if the account is closed or changed. I agree with what Nationwide has said about what the terms and conditions say. But as this account was never, and is not a Flex Plus account, I see no reason why these conditions would apply to this complaint, nor do I see why Mr and Mrs S would've paid any attention to them.

I should highlight that I'm not questioning the content of Nationwide's sales process documents or the validity of its welcome letters or account literature in general. But my role here is to reach a fair and reasonable outcome to this specific complaint, taking into account everything I've seen and been told.

As Mr and Mrs S say they went to a branch to register for online banking, and their account was changed without their knowledge, and because they then travelled without travel insurance, I'm persuaded that something went wrong and Mr and Mrs S were unaware of the change to their account. I don't know why that happened, but I'm satisfied that it did.

I can't see any reason that Mr and Mrs S would've chosen to change their account from one fee-free account to another, losing their free travel insurance in the process. I've seen that Nationwide has suggested that Mr and Mrs S were aware of the account change but forgot to buy travel insurance, leading to their claim not being covered. But given all of the facts in this case, I find that an unfair thing for Nationwide to say.

It follows that I uphold this complaint and Nationwide needs to put things right.

putting things right

Nationwide should put Mr and Mrs S in the position they'd be in now if Nationwide hadn't changed their account without them knowing.

I've noted that Nationwide has paid Mr and Mrs S £25 in recognition of its handling of their complaint. And I've also noted that Nationwide says Mr and Mrs S have earned credit interest as a result of holding the Flex Direct account, that they wouldn't otherwise have earned. I've taken both of these points into account when deciding what Nationwide needs to do to.

I require Nationwide to:

- Reinstate Mr and Mrs S's Flex Account and travel insurance policy
- If this isn't possible, Nationwide should offer Mr and Mrs S an alternative account that includes travel insurance – at no cost to them – for 12 months
- Assess Mr and Mrs S's claim as though the Flex Account's travel insurance policy was in place at the time of the claim – and pay it if applicable
- Pay Mr and Mrs S £50 for the inconvenience the complaint has caused and the length of time it has taken to deal with it. This is in addition to the £25 it has already paid in recognition of its poor handling of the complaint
- Add simple interest to the claim payment from when it should've been paid (if applicable) until Mr and Mrs S get it. The rate of interest is 8% a year[†].
- Nationwide can deduct the difference in interest that Mr and Mrs S earned on their Flex Direct account from the value of their travel insurance claim, if the claim is successful. Nationwide needs to show Mr and Mrs S how it worked that amount out and take into account the interest (if any) they would've earned on their Flex Account.

[†] HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mr and Mrs S a certificate showing how much tax it's taken off if they ask for one.

my final decision

For the reasons I've explained, I uphold Mr and Mrs S's complaint and require Nationwide Building Society to put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 12 January 2019.

Sam Wade
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