

The complaint

Mr A complains that Nationwide Building Society were at fault for an international transfer being returned which resulted in a foreign exchange loss and they provided him with poor customer service.

Mr A is represented by a relative in bringing this complaint. But for ease of reading, I'll refer to any submission and comments she has made as being made by Mr A himself.

What happened

Mr A attempted to make an international transfer via Nationwide's online portal to a relative, but the payment was returned to them within three days of receipt. Mr A says that he had numerous communications with Nationwide about the payment. He says he was told by Nationwide that he needed to provide the recipient bank with a tracing number so they could trace the payment, so Mr A gave this to the intended recipient of the payment, who contacted the recipient bank. The intended recipient obtained evidence that her credit union (which was the recipient bank) had returned the payment to Nationwide on 25 March 2022. Mr A made a complaint to Nationwide.

Nationwide partially upheld Mr A's complaint. They said that he made a payment of £113,377.16 (€132,129.74) converted at the rate of 1.1654 euros to the pound on 15 March 2022, and the recipient bank returned the funds to their third party payment processing partner on 25 March 2022, but there was no additional supporting message from the recipient bank confirming return of the payment. They said it was a fresh payment as it wasn't returned as a Single Euro Payments Area (SEPA) and it was returned to the originating account (their payment processing partner. So this resulted in no triggers or notifications to return the funds to Mr A.

Nationwide said that as part of reconciliation activity between their payment processor and themselves, this entry was investigated and the return of funds processed, with £111,263.82 being credited to Mr A's account on 5 May 2022. They said reconciliation without any reference should occur within 30 working days from the date the funds are returned (which would be 6 May 2022), so they hadn't made any error and they were unable to offer to refund him for the loss of £2,113.34 he'd incurred. Nationwide apologised for the lack of ownership taken to deal with his queries regarding the payment and offered him £200 compensation. Mr A brought his complaint to our service.

Our investigator said the credit union returned the payment to Nationwide via their payment processing partner without providing sufficient details of the originating account from where the funds were debited. He said without this, the payment processor had to investigate the source of funds before returning them to the correct account. Mr A asked for an ombudsman to review his complaint. He said the credit union returned the funds which clearly showed his International Bank Account Number (IBAN), which is unique to his account and therefore left no confusion. He enclosed a copy of the paperwork the credit union sent him about the transfer. He said surely the funds were converted to Sterling at the time they were sent from the credit union and not when Nationwide received them.

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 must be clear that as Mr A's complaint is brought against Nationwide, then I'm only able to make a finding about Nationwide on this complaint and not any other bank or credit union which may have been involved with the transfers. Where I refer to the credit union, this could be the credit union or their payment processors.

I'd like to explain to Mr A that it is not within this service's remit to tell a business how to run their reconciliation policies and procedures such as how often they should reconcile payments. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct Nationwide to make changes to their policies and procedures, if necessary.

I've considered what Mr A has said about the IBAN being included in the paperwork the credit union sent him. I'm not persuaded that the credit union sent actual paperwork to Nationwide as the sending of money would be electronic. I've looked at the payment information on Mr A's paperwork though as I agree this is the details the credit union returned the money to. But I can't agree the credit union used the correct details for Mr A and I'll explain why.

The beneficiary name is not Mr A's name. But it is the correct beneficiary bank (building society). I've looked at the next column on the paperwork which is the beneficiary Bank Identifier Code (BIC). But this code is not Nationwide's code. As shown on Mr A's current account statement, this shows what his BIC would be, and the BIC that the credit union used appears to be just to the payment processor instead of the BIC of where the transfer originated from. It appears that the credit union have used the BIC for the payment processor instead, but it's not clear why they wouldn't have used the correct BIC to reach Mr A's account.

I'm sorry to disappoint Mr A, but the IBAN displayed on the paperwork which he says leaves no confusion, is not his IBAN for his account. His correct IBAN is shown on his current account statement. And the IBAN displayed on the paperwork is not even a Nationwide IBAN as it appears to be their payment processors IBAN. So the payment information from the credit union shows a mismatch of information with a different building society with a BIC and IBAN which doesn't belong to Nationwide themselves.

Typically when a financial institution receives a SEPA payment, and they choose to return a payment, they would return it as a SEPA payment which should reach the intended account. But the credit union returned the funds via a new payment instruction, and as the BIC/IBAN were not the same as shown on his current account statement, this is why it did not reach Mr A's account when they sent the funds back on 25 March 2022. The funds were sent in Euro's as shown on the paperwork. I checked with Nationwide to see if the funds would have been converted at that point. They confirmed that the funds credit their payment processor's currency account, and as such, they are only converted to Sterling on the same day Nationwide receive the funds.

Once Mr A made Nationwide aware of an issue with the payment, they say they initiated via their payment processor a Credit Payment Recovery (CPR). They say that this would have been chased up every seven days. I'm not aware that the credit union responded to this, as if they would have sent the payment processor information of where the payment was sent, then this would have been located when they received this information. I've also been unable to obtain proof of the CPR as Nationwide don't hold this, so I can't rule out that it

hasn't been chased up either, but I would find this unlikely as they have procedures in place to follow these types of requests up.

Due to the reconciliation processes that Nationwide and their processing partner have in place, they have 30 days in which they would try and reconcile a payment, which they managed to do here. I've already mentioned the reasons why this didn't automatically go into Mr A's account when the payment was sent by the credit union due to details other than his own which were entered. So it appears that a manual process is needed to try and reconcile payments which are in the payment processors account. Here, as the credit union had used two reference numbers under the remittance data field of the returned payment, that they were able to manually redirect the funds back to Mr A's account.

So I can't say that Nationwide were at fault for the credit union not crediting the payment to the intended recipient as this would be out of their control. And I would not expect them to be familiar with other companies payment limits. They would not be responsible for the credit union not returning the payment as a return of their SEPA payment and instead initiating a new transfer with a BIC and IBAN which weren't for Mr A's account. So it would not be proportionate to ask Nationwide to refund the exchange loss here.

But Nationwide did let Mr A down on occasion. They have admitted that there was a lack of ownership taken towards his queries regarding the SEPA payment and the delay in their response to his complaint. He was told an incorrect reason for the payment being returned, and while this is likely to be the reason Nationwide was given, it could have been explained clearer to Mr A. The poor customer service would have been distressing for Mr A and he was inconvenienced by frequently ringing Nationwide to try and find out what was happening with the payment. So it's only fair that Nationwide compensates Mr A for the poor customer service.

Nationwide offered £200 for the poor customer service. I'm satisfied that this is fair as it is in line with our awards for compensation when something goes wrong. So Nationwide should pay Mr A the £200 compensation they offered him, but I don't require them to do anything further.

My final decision

Nationwide Building Society has already made an offer to pay £200 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that Nationwide Building Society should pay Mr A £200. But I won't be requiring them to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 26 September 2023.

Gregory Sloanes
Ombudsman