

The complaint

Mr W complains that he was unable to open an ISA with Nationwide Building Society online as he does not have a mobile phone, so had to visit a branch to open it.

What happened

In March/April 2023, Mr W decided that he wanted to move his ISA to a new fixed rate interest ISA. However he found that he couldn't do this online as he needed to input a mobile phone number. He has access to Internet banking but he doesn't have a mobile phone. He was told that the provision of a mobile phone number was mandatory for opening that particular account online. His only option was to visit a branch and open up the account there. He did this but it caused him a lot of inconvenience.

Nationwide explained that all new account openings online require a mobile phone number to be input, so it hadn't made any error. However it did delay in responding to Mr W's complaint, and paid him £50 compensation.

On referral to the Financial Ombudsman Service, Mr W indicated that he was not happy in having to provide a mobile phone number and did not see why he should have to have a mobile phone. He advised that he had since been able to open up a different savings account online.

Nationwide explained to our Investigator that all savings accounts would be migrated to the new system which requires the input of a mobile phone number. It said this was put in place to prevent third party fraud.

I issued a provisional decision. In it I said that the options Nationwide provided for customers who didn't have mobile phones were not given to Mr W. I further said that as the provision of a mobile phone number isn't mandatory (in respect of customers who visit the branch), I didn't think it beyond the capability of Nationwide to provide an online/telephone exception to customers without a mobile phone. I said that as Mr W was caused inconvenience by having to visit the branch to open his account it should increase the compensation to £100.

Nationwide accepted that as it hadn't put the options for customers without mobile phones to Mr W, the proposed increase in compensation was fair.

Mr W says it was not explicit what the solution to his complaint is regarding how he opens/moves a savings account using online banking without having a mobile phone. But the decision says in principle that there can be an exception list or another alternative

technical solution that does not require a mobile phone to be required and that a branch visit is not an acceptable solution. He said a phone line which is only staffed during business hours would also not be acceptable to him.

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.

My provisional findings are set out below, in italics:

“I accept that the use of a mobile phone is increasingly prevalent in online banking. And that the use of such a phone for authentication in opening new accounts or in managing existing accounts online is useful for security purposes, and probably appropriate for the majority of customers.

However the Financial Conduct Authority (FCA) has said that businesses should offer alternative ways of authenticating when customers can't use or don't have a mobile phone, so as not to exclude them from online banking. In this case Nationwide has said that its requirement to enter a mobile phone number is to prevent third party fraud.

That said, a mobile phone number is not required to open the ISA, as it can be done in branch without having to provide one. Moreover I understand that in certain cases a one-time passcode can be sent to a landline. And Mr W has pointed out that he uses a card reader which provides additional security, although I understand that it is Nationwide's intention to phase out the use of card readers.

Nationwide has said that:

“If [the] member can't/won't use digital (don't have a mobile device), and can't/won't access branch, then there is a process to contact us via the phone to talk to a colleague. The colleague will then determine what is suitable for the member's particular needs, keeping in mind the type of servicing each savings account might offer or require. There will be options such as Third-Party access or Power of Attorney processed [sic] will be considered to try and find a way of helping the member.”

It has also said:

Our Internet Banking Team have said that for savings customers, they can login with One Time Passcode and Passnumber to the Internet Banking. If they don't have a mobile device, they can request to go on our exceptions list. This will enable them to login with memorable data and passnumber.”

I haven't seen anywhere where those options were made available to Mr W. Although I understand that that process still wouldn't be available to open the ISA. But it does appear to me that, for the opening of new savings accounts, consideration hasn't been given to customers who don't have mobile phones. I understand that Mr W was able to open a different savings account online, but that the intention is for all such accounts to be transferred to the new system which will require the input of a mobile phone number.

So, as the provision of a mobile phone number isn't mandatory (in respect of customers who visit the branch) I don't think it is beyond the capability of Nationwide to provide an online/ telephone exception to customers without a mobile phone. This would be in accordance with the FCA's guidance.

Nationwide has paid £50 compensation to Mr W, but this related to the way it handled Mr W's complaint. I think that by being required to visit branch, Mr W was caused distress and inconvenience. I think Nationwide should pay him £100 compensation.

Finally I should make clear that this decision concerns Mr W's complaint about the opening of an ISA in March/April 2023. I understand that he has made further complaints about opening a subsequent ISA, which will be dealt with separately.”

In my provisional findings I observed that Nationwide does have procedures to enable customers to open savings accounts online without having to visit a branch even if they don't have mobile phones. And as Nationwide has rightly accepted, Mr W was not offered the use of those procedures. It is in respect of that and the inconvenience of having to visit a branch that I proposed the increase in compensation.

Going forward I've noted that Nationwide does have alternative procedures in accordance with FCA guidelines for customers to open accounts if they don't have mobile phones. But I should advise Mr W that I can't tell Nationwide how those procedures should be operated. The FCA has said that such customers should be offered alternatives so they are not excluded from online banking. And that payment service providers (PSPs) should offer a viable means to strongly authenticate customers, where they don't have or don't have access to a mobile phone.

Mr W has not, as far as I'm aware, made use of Nationwide's alternative arrangements. If he is unhappy about them then it will be up to him if he wants to complain further to Nationwide about them.

With regard to my provisional findings, I remain persuaded by them. They are now final and form part of this final decision.

Putting things right

Nationwide should pay Mr W £100 compensation.

My final decision

I uphold the complaint and require Nationwide Building Society to provide the remedy set out under putting things right above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 2 May 2024.

Ray Lawley
Ombudsman