

The complaint

Mr S complains about the difficulties he has experienced with Nationwide Building Society's system for verifying online transactions.

What happened

Mr S holds an account with Nationwide. In common with many providers, Nationwide operates a transaction verification system that includes sending a one-time passcode ("OTP") to the cardholder by text message to their mobile phone. On several occasions Mr S tried to use his card to make payments online, but says he was unable to complete the payments as he didn't receive the OTPs.

Nationwide looked into the problem. After some delay Nationwide said it had definitely sent texts and that it was unable to establish why Mr S wasn't receiving them. It suggested Mr S contact his mobile phone provider. In recognition of any inconvenience due to the delays Nationwide offered to pay Mr S £75 compensation.

Mr S wasn't satisfied with Nationwide's response. He says he receives OTPs from his other account providers without problem. However, he did in any event check with his mobile phone provider, who indicated the issue was likely to lie with Nationwide or the third party company it uses for its messaging service.

While Mr S has since been able to make some transactions using a card reader device rather than his mobile phone, he has been put off using the account, and asked us to look into the dispute.

Our investigator felt that based on the available evidence, Nationwide hadn't done enough to establish the root cause of the issue. He thought it more likely than not that the problem was Nationwide's responsibility rather than an error by Mr S or with his mobile phone provider, given that Mr S was able to receive OTPs from other banks.

The investigator considered that Nationwide should look further into the problems Mr S had experienced, with a view to resolving the underlying problem. And he proposed that Nationwide increase its offer of compensation to £225 in light of the ongoing difficulties Mr S had experienced.

Mr S indicated he'd be willing to accept the investigator's recommendation. But Nationwide didn't agree. It offered evidence to show that previous transactions had correctly generated an OTP and sent it to Mr S's mobile number. Nationwide suggested that if Mr S could provide an alternative mobile number, this could point to the root cause of the problem.

Our investigator didn't think this was a feasible solution as Mr S hadn't indicated he had any other mobile numbers, and reiterated that Mr S was able to receive similar texts from other providers.

Because Nationwide hasn't agreed to the investigator's conclusions, the matter has now been passed to me for review and determination.

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.

Where there's a dispute about what happened, I've based my decision on the balance of probabilities; that is, on what I consider most likely to have happened in light of the evidence.

Mr S has been consistent in his evidence that he did not receive the OTPs. I've no reason to doubt what he's said. So while Nationwide has provided evidence of generating an OTP for a transaction attempted by Mr S, I'm satisfied Mr S never received it.

There could be various reasons outside of Nationwide's control as to why the messages didn't get through to Mr S. These include a problem with the phone itself, a problem with his mobile provider, weak signal strength or a problem lying between Nationwide's OTP generation and the text message delivery it has outsourced.

In respect of the first three of these, I couldn't fairly hold Nationwide responsible. But I'm not persuaded that any of these offer the most likely explanation for the problem. Mr S has checked the situation with his mobile provider, and in addition, his evidence is that he has no such difficulty in receiving OTPs by text from his other account providers.

On balance then, these scenarios don't strike me as more likely than other possible causes. And that's where I think Nationwide needed to do more to discount the possibility that its systems – including the messaging via the third party – are the root cause of the problem. With this in mind, I'm inclined to say that Nationwide's level of investigation has added to the overall sense of frustration its initial delays caused Mr S. I share the investigator's view that this warrants increased compensation, and I'm satisfied the £225 he proposed is a fair sum.

I'm conscious Mr S was able to find something of a workaround to the problem by using the card reader facility. But that isn't necessarily the most convenient method of verification for Mr S and I have to acknowledge he has to some degree lost faith in Nationwide's system.

While I can't simply direct Nationwide to fix the problem – in the absence of proper investigation I can't at this point say what the cause of the problem is, let alone the solution – I would encourage Nationwide to probe its systems further to establish other customers won't be similarly affected.

My final decision

My final decision is that to settle this complaint, Nationwide Building Society must pay Mr S a total of £225 (inclusive of any sums already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 14 June 2024.

Niall Taylor
Ombudsman