

The complaint

Mrs B complains that Barclays Bank UK PLC sent her a banking passcode which she didn't request and has since then been unable to access her account on-line or by telephone.

What happened

Mrs B paid a cheque into her everyday saver account on 8 June 2019. On 12 June 2019 a mortgage broker she was dealing with had discussions with Barclays about Mrs B applying for a new mortgage with it. Unbeknownst to her, this created a new on-line passcode, which was sent through the post.

When Mrs B received this, she was concerned about the security of her account, as it wasn't something she had requested. She contacted Barclays who put her through to its fraud team. Mrs B reports the conversation was very distressing as she was being asked to change her passwords without explanation. Because of the concerns raised and because fraudulent activity might have occurred on the account, Barclays blocked Mrs B's accounts whilst it was looking into the generation of the passcode. Mrs B says she was only able to access her account in branch.

Frustrated with what had happened, Mrs B visited her branch, who were able to confirm the passcode had come from Barclays. But the branch weren't able to explain why. It logged a complaint for her and ordered new passcode details. After waiting for a response, Mrs B asked us to look into the matter; she was concerned her accounts were still blocked and she still hadn't received new online and telephone banking passcodes.

Barclays explained to us that the new passcode was generated as a result of the mortgage application discussion on 12 June 2019. Our investigator found this was a reasonable explanation for what happened given the passcode was generated on that same day. But she also found that as the explanation was so straight forward this was something Barclays should have been able to give Mrs B far sooner and questioned whether it should have been necessary to block the accounts at all. So she upheld the complaint and asked Barclays to pay Mrs B £250 compensation for the distress and inconvenience caused. She had also previously asked it to send out new passcodes as these hadn't been received by Mrs B.

Barclays agreed with the outcome, but Mrs B didn't. In summary:

- She doesn't feel she has been given an adequate explanation for why the passcode was generated.
- Although she has received an on-line banking passcode she still hasn't received a new code for telephone banking.
- She wants us to listen to the call between her and the fraud department as this was particularly distressing for her.
- She doesn't believe £250 compensation is sufficient. She says she was going to move her savings to an account paying higher interest but hasn't been able to do so because of this. She would like the difference in interest to be paid and says there were accounts offering 0.5% at the time (this account is 0.3%)
- She cannot operate her mobile banking app.

The complaint was referred to me for a final decision. I noted that Barclays didn't have a recording of the call between Mrs B and its fraud department. I explained this to Mrs B and asked whether she had moved her money now she had on-line access. Mrs B confirmed she hadn't; she still didn't have telephone banking access and didn't move her money as she was worried someone was monitoring the account.

Following queries from myself Barclays has since explained:

- Mrs B's accounts are no longer blocked but it cannot confirm when these restrictions were lifted.
- It cannot send telephone banking passcodes to branch. However, it did say the wording on telephone passcodes can be misleading and refer to on-line passcodes instead.
- The blocks were applied following a report from Mrs B and it followed correct banking procedure in doing this.

I issued my provisional decision on this complaint on 7 April 2020. Barclays agreed with my recommendation. Mrs B has provided further submissions:

- She has still not received a telephone passcode and doesn't understand why this can't be sent in the post to her.
- She raised the issue of her app not working and believed it was connected to her account being blocked. She is still unable to use the app and as she doesn't have a telephone passcode she can't call for help with this.
- She didn't move her money as she was advised not to by branch staff whilst the investigation was ongoing.
- She is happy to accept the compensation but only once she has received a telephone passcode.

As both parties have now responded to my provisional findings it is appropriate to move to our final stage of our process. I will respond to Mrs B's points in my findings below.

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.

Mrs B has found this situation very distressing and I can understand why. It must have been extremely worrying to be sent to passcodes that hadn't been requested; particularly as the passcode letter referred to a 'replacement' passcode. So I can fully appreciate why Mrs B was worried that fraud might have been attempted on her account.

Barclays explained new passcodes are generated when new accounts are applied for, including mortgage accounts. However, I understand from Mrs B that she never actually applied for an account, only enquiries were made. So I can understand her reticence to accept the explanation. I made further enquiries. But Barclays wasn't able to shed any light on the matter as it said its audit records are only kept for six months. I'm surprised Barclays can't provide a more detailed explanation; it must know more about when and in what circumstances passcodes are generated. And it also knew this complaint was being investigated, so I'm disappointed it didn't keep information that might have been relevant. That said, I can see the passcode was generated on the same day as the mortgage

enquiries were made, and so I find this a plausible explanation for what happened. And although Mrs B thinks fraud might have been attempted, I haven't seen any evidence in support of that.

I accept that when an account holder is worried fraud has happened or might be attempted that a prudent course of action by a bank would be to block accounts. After all, that might prevent the loss of funds. But given its explanation of why the passcode was generated, I'm not persuaded this step was justified or necessary. Barclays staff should be aware of its own processes and procedures such that it should have been able to explain to Mrs B why the code had been sent. Had it been able to do so, it's highly unlikely her accounts would have been blocked. Indeed, had Barclays' correspondence been clear about why the passcode was sent, Mrs B might not have needed to raise concerns at all.

Because it couldn't answer Mrs B's questions, she lost on-line and telephone banking access to her accounts; new codes were to be sent as a result of the concerns raised. There seems to have been some considerable problems with Mrs B receiving her passcodes. It wasn't until December that she confirmed receiving her on-line code but she still hadn't received a telephone banking code. Barclays has since explained that the wording on its code can be misleading about what it's for and says telephone codes can be described as on-line codes. I don't know if Mrs B received more than one on-line code or not. But it seems to be another area where Barclays isn't communicating with its customers clearly and it's entirely possible Mrs B could have had telephone banking much sooner, if Barclays had sent clear information.

Mrs B has now confirmed she still hasn't received a telephone banking code and queries why this can't be posted to her. My understanding is that these are being posted, and like her I'm at a loss as to why they aren't arriving. Therefore, Barclays will need to send her another. And if it's able it should arrange for it to be sent by registered post or recorded delivery.

I understand Mrs B's accounts are no-longer blocked although Barclays can't tell us when the restrictions were lifted. But it seems to me Mrs B should be fairly compensated for the distress and inconvenience caused. She has had her accounts blocked unnecessarily, because Barclays couldn't provide an explanation for the passcode. Although Barclays agreed with the investigator's recommendation of £250, I don't think that goes far enough. When thinking about what is fair, I need to take into account that this has all stemmed from a process that hasn't been clearly explained to its customer or its staff. It has caused Mrs B considerable worry, which I understand from Mrs B was compounded further by Barclays' fraud team. And she hasn't been able to fully access her accounts for many months; she was only able to access them in branch until December when she received a new on-line passcode. I find £500 to be a fairer reflection of the impact Barclays' actions had on Mrs B.

Mrs B has asked that she is paid the difference between the interest earned on this everyday saver account and what she could have earned elsewhere. I have thought about this carefully and taken into account that, in common law, there is a duty to mitigate losses. Although Mrs B didn't have access to on-line or telephone banking, I understand she could access her accounts in branch. So she did have limited access to her accounts but I'm not aware she made any attempt, in branch, to move her savings elsewhere. Mrs B has also told us she didn't move her funds in December when she received her on-line pass code; she was worried someone was monitoring her account. But I don't find this particularly persuasive. I think if most people thought their account was being monitored they would move their money away sooner rather than later.

Mrs B has explained she was told in branch not to move her money whilst the fraud investigation was ongoing. However, Mrs B was informed by our investigator in September

2019 that the new code had been sent as a result of the mortgage application enquiry and this was confirmed again in her view in December. But Mrs B still hasn't taken any steps to move her money. As Mrs B hasn't taken any steps to move her savings, despite knowing the reason for the code being issued for many months, it's hard for me to accept she would have done so sooner. And she hasn't taken any steps to mitigate potential losses. It remains that I find no basis on which to ask Barclays to pay the difference in savings rates.

Mrs B let us know she has problems with her banking app. She has tried deleting and reinstalling the app but that hasn't worked. Mrs B didn't let us know about this until we had already started looking into her complaint. It isn't something I can consider until Barclays has been given the opportunity to do so first. So if Mrs B is still having problems with the app, she'll need to refer back to Barclays and possibly her mobile phone provider.

Mrs B says she did let Barclays know about the app, but I haven't seen any evidence this formed part of her complaint at the time. So she'll need to complain about this to Barclays first, before we can get involved.

Putting things right

I'm upholding this complaint and require Barclays to:

- pay Mrs B £500 for the distress and inconvenience this matter has caused.
- to send Mrs B a further telephone banking code, within 28 days of her acceptance of my decision. Barclays should also take steps to send this by recorded delivery/registered post if it able.

A lot of the problems Mrs B has experienced is a result of poor communication by Barclays, and a lack of knowledge of its staff. I therefore also recommend:

- It reviews the content of passcode notifications to reflect why the passcode is being sent; and
- it provides training to staff, including its fraud team, so they understand in what circumstances passcodes are sent out.

My final decision

For the reasons given, I uphold this complaint and require Barclays Bank UK PLC to redress Mrs B as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 21 May 2020.

Claire Hopkins
Ombudsman