

The complaint

Mr C's unhappy that NewDay Ltd unexpectedly blocked his card payments to a merchant that he'd paid numerous times before.

What happened

The parties are aware of the background to this complaint. So, I won't set it out in detail here. But, in summary, Mr C attempted to make two payments to an online employee benefits website. And these were blocked by NewDay's fraud systems. This resulted in his card being blocked until he contacted NewDay. And due to one of those card blocks, Mr C was left embarrassed in a restaurant when his card was declined.

Our investigator didn't think that Mr C's complaint should be upheld. She considered that NewDay was required to have fraud systems in place. And that as these had operated as expected, NewDay hadn't done anything wrong. Mr C didn't agree. He thought that as he'd made numerous payments to this merchant before, the transactions shouldn't have been stopped. He also thought that NewDay could have taken action to place this merchant on an approved list, as it appeared to have been able to do that at a later stage after he complained.

One of our senior investigators also looked at Mr C's complaint and provided him with an explanation of how banks' fraud systems worked. But Mr C still wanted an ombudsman's decision.

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.

Mr C will be disappointed to hear that I agree with our investigators and this isn't a complaint that I shall be upholding. I'll explain why below.

I'll start by saying that I completely understand Mr C's frustrations with NewDay. He was left unable to complete transactions on at least two separate occasions. He wasn't sent a text message or telephoned to seek authorisation for the transactions. And when his card was declined in the restaurant, this must have been very embarrassing.

But whilst all that will have been very annoying for Mr C, what I need to decide here is whether or not NewDay did anything wrong, and so may need to apologise to Mr C and/or pay him some compensation. I note that NewDay has apologised for the number of times that Mr C had to contact it and has paid £15 into his account as a goodwill gesture for the trouble he experienced. But Mr C wanted confirmation that this wouldn't happen again. And some further compensation for the inconvenience and embarrassment caused.

As our senior investigator has explained to Mr C, banks' fraud systems run on complicated algorithms. These are constantly being updated and are a requirement of NewDay's

regulator, whereby financial service providers have an obligation to protect their customers from fraud.

In Mr C's case, despite him having made numerous payments to that particular merchant before, NewDay's fraud systems were triggered. I don't consider that to have been unfair or unreasonable. Fraud on bank customers is at an all-time high. And on any given day, different types of fraud will be taking place. NewDay is entitled to set its systems to catch potentially fraudulent transactions as it chooses. And whilst this will inevitably occasionally give rise to some inconvenience for customers, that is of course much better than those same customers losing money to a fraudster.

When Mr C complained, he thinks that NewDay just added this particular merchant to an approved list. And I have noted from his card statements that successful transactions to the same merchant were made over the following few months. But NewDay tell me that it's not as simple as there being an approved list. Once a transaction has been stopped, and then is approved by the customer, the system may of course allow a re-attempt of that transaction shortly afterwards. But if the fraud systems are still targeting a particular type of suspicious payment, that does unfortunately mean that any future transactions carried out by a customer may still be stopped.

So just because a customer has made transactions to a merchant before, that is no guarantee they will not be stopped again in the future. It's not open to me to tell NewDay how it should set its fraud systems. That's its own choice and isn't something that I'd generally interfere with. Of course, I wouldn't expect NewDay to inconvenience its customers more than was absolutely necessary to protect them from fraud. And I do think that where it can, it should send alerts to customers to let them know what's happened. That unfortunately didn't happen here, but I understand this wasn't a malfunction of the system but more a question of the risk level of the potential fraud that was being targeted.

So, in summary, whilst I can empathise with Mr C about the situation he found himself in, I'm sorry to say that I don't agree with him that NewDay did something wrong here. Or that he should be paid more compensation than he has already received. I'm also unable to ask it to make changes to the way that its security systems operate. That's not something that this service generally does, nor do I think it is necessary in this instance.

Finally, I'd like to apologise to Mr C for the length of time that it took us to investigate his complaint and the time it's taken for us to get him a decision. We've had large numbers of people needing our help of late. And we've been taking on new staff to help handle these complaints. But I'm sorry about the length of time that Mr C has had to wait before now.

My final decision

It's my final decision that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 2 July 2021.

James Kennard
Ombudsman