

The complaint

Mr F complains that NewDay Ltd didn't process a payment he needed to make to buy a new boiler. This caused him significant inconvenience and the loss of reward points on his credit card account.

What happened

Mr F has explained that he needed to buy a new boiler for a property which he let out. The existing boiler had broken down, and so he'd arranged for an engineer to fit the replacement the following day.

Mr F says he initially ordered the replacement boiler by telephone through a merchant, S, and was told that the order was confirmed. He expected the boiler to be delivered the following morning. When it didn't arrive, Mr F contacted S and was told that it hadn't received payment for the order.

Mr F therefore contacted a different merchant, C, to order the boiler he needed. Although he tried twice to place the order, the payment was declined on both occasions. He has explained however that he was able to complete the order using a card from a different provider.

Mr F contacted NewDay to find out why the payments hadn't been processed. NewDay was unable to provide an answer, and Mr F has said that he made several calls to try to find out what the problem was. NewDay later told him that it was longer possible to make payments if the merchant keyed in the transaction; such payments were only possible if the card chip was read, indicating that the card was present.

NewDay said that it had identified an unusual transaction on 2 March 2020 and had therefore placed a temporary hold on Mr F's card. Because it didn't hold a mobile phone number for Mr F, it was unable to send a text message to confirm the transaction. Instead, it tried to call him on the morning of 4 March. It didn't consider it had done anything wrong by taking the measures it had in the light of what it considered to be a security risk. It did however pay Mr F £10 in compensation and awarded him 500 loyalty points.

Mr F didn't think that explanation was satisfactory and referred the matter to this service. One of our investigators considered what had happened, but agreed that NewDay was entitled to place a hold on Mr F's card if it considered there was a security risk. She thought as well that it was reasonable for NewDay to contact Mr F within 24 hours to discuss the issue.

Mr F asked that an ombudsman review the complaint. I did that and issued a provisional decision. Whilst my overall conclusions were the same as the investigator's, I wanted to give the parties an opportunity to clarify certain matters – which Mr F has now done and for which I'm grateful. I've now reviewed the case again in the light of Mr F's further comments.

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 F ordered the boiler by telephone from S on the evening of 2 March, for delivery the following morning. He was told the order was confirmed. In fact, payment hadn't been processed, because the transaction had triggered a security alert. This was also the reason why the attempted payments to C the following morning were unsuccessful.

The first issue I need to consider therefore is whether NewDay was within its rights to decline the payment to S and to suspend use of Mr F's account – which in turn meant he couldn't use his NewDay card to make payment to C.

The account terms do say that NewDay can refuse to authorise a transaction or suspend use of the account if it reasonably suspects fraudulent or unauthorised use of it. I can see why a telephone order (where the merchant manually keys in the card details) might cause an alert in NewDay's systems. On the face of it, therefore, NewDay was within its rights to suspend the account and to block the payments which are the subject of this complaint.

I don't believe however that it was right of NewDay to suggest that customers could no longer make payments unless the card was present. That would mean it couldn't be used for online or telephone transactions. I can understand however why it might need to carry out extra security checks before completing a payment on the basis only of card details provided by telephone.

NewDay has said that it didn't hold a mobile phone number for Mr F, so was unable to confirm transactions by text message. Mr F has pointed out that it's possible to send text messages over a land-line and that NewDay did have his land-line number. However, land-line handsets are not generally password-protected in the same way as mobile phones and are routinely used by more than one person; they don't provide the same level of security as mobile phones. I don't believe I can fairly conclude that NewDay should have tried to verify the payment to S by using Mr F's land-line.

However, I note that NewDay didn't attempt to contact Mr F until 4 March, the day after the payments to C were declined. Since Mr F had been in touch the previous day to confirm the payments were genuine, I can see why he feels it should have been possible to resolve things then. I note too that NewDay said in its final response to the complaint that it would contact customers within 24 hours of a declined transaction; the morning of 4 March was, however, outside this timeframe. But, even if NewDay had tried to contact Mr F at some point on 3 March, it's far from certain that he would have been able to use his card to pay for the boiler.

As Mr F has explained, however, he was able to buy the boiler and pay using a different card. In addition, NewDay refunded the loyalty points Mr F says he lost as a result of the suspension and paid him a small amount in compensation.

For the reasons I've explained, I believe that NewDay was within its rights to suspend Mr F's card. There was a delay in contacting Mr F to discuss matters with him, but I'm not persuaded that it made any significant difference. In any event, I think the award of loyalty points and the financial compensation NewDay paid is a fair resolution of Mr F's complaint.

My final decision

My final decision is that I don't require NewDay Ltd to take any further steps to resolve Mr F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 20 October 2020.

Mike Ingram
Ombudsman