

The complaint

Mr S is unhappy that NewDay Ltd wouldn't explain to him why a transaction he'd attempted to make on his credit account had been flagged for a security check.

What happened

Mr S tried to make a transaction on his NewDay account. The attempted transaction was flagged by NewDay's financial security system, which stopped the transaction from completing until NewDay could verify the legitimacy and authenticity of the transaction.

NewDay sent a message to Mr S advising that his transaction had been declined and that a security hold had been placed on his account. Mr S wanted to know why this had happened and what it was specifically about the attempted transaction that had caused it to be flagged. NewDay advised Mr S that they weren't able to provide this information to him. Mr S wasn't happy about this, so he raised a complaint.

NewDay looked at Mr S's complaint. They explained that it remained their position that the transaction hadn't been flagged in error but as the result of a genuine concern. NewDay also confirmed that they weren't able to disclose the specific reason that the transaction had been declined.

Mr S wasn't satisfied with NewDay's response, so he referred his complaint to this service. One of our investigators looked at this complaint. But they also felt that NewDay weren't obliged to provide the reason the transaction had been flagged by their security system as Mr S would like, and so they also didn't uphold Mr S's complaint.

Mr S remained dissatisfied, so the matter was escalated to an ombudsman for a final 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.

I can appreciate how it must have been frustrating for Mr S to have had his attempted transaction declined by NewDay on the basis of a perceived security issue, and to also then be told by NewDay that they were unwilling to explain to him the reason his attempted transaction had flagged NewDay's security system as it had.

However, it wouldn't be expected that NewDay would provide the information to Mr S that he would like here. The reason for this is because if NewDay did disclose to its customers how its security system operated and what specific events or parameters might be flagged by that security system, the potential would then exist for customers to act on that information and to deliberately circumnavigate NewDay's security system – which in turn would compromise the effectiveness of that security system.

NewDay have an obligation to have reasonable measures in place to protect their

customers' money, and security systems such as the type that NewDay employ aren't uncommon in the credit provision industry. And I haven't seen anything in the information available to me to suggest that the flagging of the transaction by NewDay's security system wasn't fair and reasonable in regard to how such systems operate in this instance.

For these reasons, while I understand that Mr S might want to know why his transaction was flagged by NewDay's security system, I wouldn't expect NewDay to provide this information to Mr S, or to any other NewDay customers or members of the public.

While I appreciate that this might have entailed a degree of inconvenience for Mr S, it's unfortunately the case that the reasonable employment of such security systems by credit providers such as NewDay can occasionally entail a degree of unavoidable but necessary inconvenience for account holders from time to time. And I don't feel that any form of compensation should be merited in instances, such as this one, where that degree of occasional necessary inconvenience has been incurred by a customer because of the wider obligation of that credit provider to have adequate security systems in place.

Finally, I also note that NewDay have been clear in their communications to Mr S of the steps he would need to take to have the security block removed from his account, and this consistency and clarity of communication in this regard is also what would be expected of NewDay in these circumstances.

All of which means that I'm satisfied that NewDay haven't acted unfairly or unreasonably towards Mr S in how they've managed this ongoing situation, and it follows from this that I won't be upholding this complaint or instructing NewDay to take any further action at this time.

I realise this might not be the outcome that Mr S wanted, but I trust that he'll understand, given all that I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 April 2022.

Paul Cooper
Ombudsman