

## The complaint

Mr and Mrs V complain that The Royal Bank of Scotland Plc (RBS) denied them access to the money in their combined mortgage and current account when they introduced two-factor authentication. Although Mrs V has consented to this complaint all our communication has been with Mr V. So, for ease of reading, I'll refer only to him.

Mr V says the changes RBS made were “*excessive and obstructive*” and forced them to move their mortgage and current account elsewhere because the RBS account no longer offered the “*functionality that it would be reasonable to expect a current account to offer*”.

## What happened

In November 2019 Mr V found that he couldn't move money from his RBS account to an existing payee (another bank account in Mr V's name) because the transfer required two-factor authentication and he couldn't complete it without a card reader. Mr V complained to RBS.

On 12 November 2019 RBS rejected Mr V's complaint. They said they'd introduced two-factor authentication in response to new regulations and that customers had been given notice that they'd now need a mobile phone or their debit card and a card reader to access online banking and carry out banking and payment activities online.

### *What Mr V told us*

Mr V told us he found the expectation that he should carry a card reader with him “*ridiculous*”. He thought it was a symptom of the fact that the type of account he had with RBS was held on a “*legacy system*” and there hadn't been sufficient investment in the technology. He said that he'd had to stop his salary being paid into his RBS account because he couldn't readily access his money. He'd also moved his mortgage and paid around £880 to do so. He said he wanted to be compensated for that, for the extra interest he was now paying on his mortgage and for the inconvenience he'd been caused.

He told us RBS hadn't offered him another method of authenticating online payments except the card reader, but that he'd have been happy with any method that didn't necessitate him having to carry something additional. He said he's a mobile phone user who always has the most up-to-date smart phone, so if RBS had offered him a way of authenticating using his mobile phone, he'd have used it. He was adamant he wasn't offered the option of receiving authentication codes (one-time passcodes – OTPs) to his mobile phone, and was only ever presented with the option to generate a code using the card reader.

### *What RBS told us*

RBS told us that they'd introduced two-factor or strong customer authentication (SCA) in response to the Payment Services Directive 2 (PSD2). They said they'd made customers fully aware that these changes were coming and what they'd need to do. So, they didn't think they'd done anything wrong. They also said they couldn't explain why Mr V couldn't use mobile phone authentication as this option was available to him.

### *Our investigator's view*

Our investigator partly upheld Mr V's complaint. She said RBS hadn't done anything wrong by implementing SCA and requiring two-factor authentication for online banking and payment activities. She also said RBS had given Mr V a viable option for authentication in the form of a card reader. But she thought RBS should have made it clearer to Mr V that using a card reader wasn't his only option and that he could avoid having to carry the card reader and authenticate using his mobile phone. She said she was satisfied mobile phone authentication was offered by RBS but had seen nothing to evidence this option had been offered to Mr V. So, she said RBS should pay Mr V £100 to acknowledge he'd suffered some personal inconvenience from having to carry the card reader when he didn't need to.

### *Responses to the view*

Mr V didn't accept that outcome. He said a card reader might have been a *viable* option, but it wasn't a *reasonable* one. He said he'd been forced into a situation where he'd not been able to access the money in his account without carrying a card reader around. He said, "*I simply couldn't access my cash, pay bills, pay for services, move cash between accounts etc.*" So, he didn't think £100 was fair compensation. He said the changes had made him move his account and mortgage and he wanted to recover the fees he'd had to pay to do that.

He also disputed that RBS had offered all customers the option to authenticate using a mobile phone. And he said he was unhappy customers weren't "*provided with any opportunity to object to this major change*".

RBS agreed to pay the £100 compensation our investigator had recommended. They also confirmed that the option to authenticate with an OTP received to a mobile phone had been "*rolled out to [their] whole customer base*".

### **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.

Having done so, although I'm sorry Mr V and Mrs V are likely to be disappointed, I have reached the same outcome as our investigator did and for broadly the same reasons. I'll explain why.

The Payment Services Regulations 2017 (the PSRs) Reg. 100, which came into force on 14 September 2019, says that a payment service provider (PSP) must apply "*strong customer authentication*" where a "*payment service user*" accesses its payment account online, initiates an electronic payment transaction; or carries out any action through a remote channel which may imply a risk of payment fraud or other abuses.

Strong customer authentication (SCA) is defined in the PSRs. It means:

*"authentication based on the use of two or more elements that are independent, in that the breach of one element does not compromise the reliability of any other element, and designed in such a way as to protect the confidentiality of the authentication data, with the elements falling into two or more of the following categories—*

(a) *something known only by the payment service user ("knowledge");*

(b) *something held only by the payment service user (“possession”);*

(c) *something inherent to the payment service user (“inherence”),”*

The Financial Conduct Authority (FCA) and UK Finance have both issued guidance to PSPs on the implementation of SCA. The FCA in its guidance document “*Payment Service and Electronic Money – Our Approach*” says:

*“We encourage firms to consider the impact of strong customer authentication solutions on different groups of customers, in particular those with protected characteristics, as part of the design process. Additionally, it may be necessary for a PSP to provide different methods of authentication, to comply with their obligation to apply strong customer authentication in line with regulation 100 of the PSRs 2017. For example, not all payment service users will possess a mobile phone or smart phone and payments may be made in areas without mobile phone reception. PSPs must provide a viable means to strongly authenticate customers in these situations.”*

UK Finance has also issued guidance to businesses detailing a non-exhaustive list of authentication methods a PSP can employ to satisfy the “possession” element of SCA. These include possession of a card evidenced by use of a card reader, and possession of a device evidenced by an OTP generated by or received on a device (i.e. a mobile phone).

I think these regulations, and the associated guidance, mean that RBS were required to implement two-factor authentication. They were also required to offer authentication methods which are workable (viable) for customers who do not use mobile phones. But neither the regulations nor the guidance is prescriptive about the authentication methods a PSP must offer. It’s clear there are a range of ways PSPs can authenticate customers and not all PSPs will adopt the same range.

So, I don’t think RBS acted unfairly or unreasonably by implementing SCA or two-factor authentication and I don’t think they did anything wrong by offering a card reader as one of their options for customers to use to satisfy the possession element of SCA. But when Mr V made it clear he’d prefer not to carry a card reader I think they could have done more to guide him towards their other option – using a mobile phone to authenticate.

Whilst I’m satisfied that this was an option RBS offered for authenticating online activity for this account, I think it’s more likely than not this option wasn’t made explicitly clear to Mr V. I say this because I think if it had been he’d have taken it up. He is, after all, someone who has no difficulty using mobile phone technology. It’s for this failing in communication that I think RBS should pay Mr and Mrs V £100 to remedy, because that failing led to Mr V suffering the inconvenience of carrying a card reader when he didn’t need to.

However, I don’t agree with Mr V that he should receive more compensation or a refund of the costs he incurred moving his mortgage. Ultimately, RBS were required to implement SCA measures and using a card reader was a legitimate method for them to employ to satisfy the possession element of the regulations. Mr V had no difficulty using the card reader beyond not wanting to carry it with him. So, whilst I appreciate that he’s entitled to his preferences about that, I can’t say RBS’s adoption of the card reader as an SCA method was unreasonable, or unviable, or justified Mr V’s decision to move his mortgage. It follows that I don’t think that’s something RBS need to compensate him for.

### **Putting things right**

As I don’t think RBS did enough to let Mr V know he could use his mobile phone to authenticate instead of a card reader, I find he suffered the inconvenience of having to carry

a card reader when he could have opted not to. So, I require RBS to pay Mr and Mrs V £100 compensation as they've already agreed to do.

### **My final decision**

My final decision is that I partly uphold Mr and Mrs V's complaint. The Royal Bank of Scotland Plc should pay Mr and Mrs V £100 compensation as they've already agreed to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs V and Mr V to accept or reject my decision before 22 March 2022.

Beth Wilcox  
**Ombudsman**