DRN-4238083

The complaint

Ms F complains Lloyds Bank PLC didn't help her when she had problems accessing her account online.

What happened

Ms F has a current account with Lloyds Bank with a debit card.

Ms F has told us that she doesn't have a phone, and she doesn't want one. She's also told us that she has mobility issues – a disability – and that she considers herself vulnerable.

Ms F has told us that she had no difficulties managing her account before March 2020 – she would go into branch and the staff there were helpful and friendly. She has also told us she set up her account in March 2020 so that she could access it online given the imminent lockdown and initially had no problems.

Ms F says Lloyds Bank introduced changes to the way its online banking worked a couple of months after she'd set up her account so she could access it online. Ms F says she started to have difficulties accessing her account after Lloyds Bank introduced these changes because it kept on saying that she'd need a phone in order to authenticate. In particular, she had a problem making a payment in July 2020 as she was no longer in a position to post or print letters – to stay safe – and so could no longer use cheques as she had been doing.

Ms F complained to Lloyds Bank in January 2021 about the problems she was having, and then to us. She's complained about a number of other issues whilst Lloyds Bank was looking into her complaint and whilst we were. I'll mention some of those in this decision. For example, she complained that she wasn't receiving hard copy statements every month. She also complained about her overdraft being removed – meaning she would be charged very high interest rates if she went overdrawn – and not being sent a chip and sign card.

Lloyds Bank investigated Ms F's complaint about the difficulties she was having accessing her account online. Having done so, Lloyds Bank accepted that it didn't offer a way for its customers to authenticate without using a phone and that Ms F would need to come into branch or contact businesses she wanted to pay directly. Ms F was unhappy with Lloyds Bank's response, not least because she'd told Lloyds Bank that she wasn't going out in public given her concerns about Covid and she felt it lacked empathy and understanding.

One of our investigators looked into Ms F's complaint and said that Lloyds Bank hadn't acted fairly and that it should offer Ms F an alternative way of authenticating and pay her £200 in compensation. That was in February 2022. Lloyds Bank agreed to pay Ms F £200 in compensation but said that it didn't have an alternative way of authenticating that didn't involve a phone. In April 2022 Lloyds Bank agreed to pay an additional £150 to reflect the fact that it couldn't offer an alternative.

In May 2022 Lloyds Bank told us that it was planning to launch a token that would allow its customers to authenticate without the need for a phone, and that this token was expected to launch in June 2022. Ms F was happy to settle her complaint on that basis.

Lloyds Bank told us that it had ordered a token for Ms F in July 2022, but it didn't arrive. Our investigator contacted Lloyds Bank on a regular basis over the following months as Ms F's token still hadn't arrived. Lloyds Bank told us at the end of March 2023 that it still hadn't sent a token out to Ms F because it hadn't resolved a technical issue with her profile. Our investigator wrote to both parties to let them know that this complaint would in the circumstances be re-opened and an ombudsman would look into it. That's what I've done.

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 reviewed this file, I contacted Lloyds Bank for an update and to check whether or not the token it was offering would allow Ms F to authenticate when she wanted to do online banking and online shopping, or only when she wanted to do online shopping. I did so because my understanding was that Lloyds Bank's token only allows customers to authenticate when they're doing online shopping. In other words, Lloyds Bank's offer wouldn't resolve Ms F's main complaint which is about not being able to access her online banking. Lloyds Bank told me that it would send me an update. It didn't, so I issued a provisional decision in which I mentioned, amongst other things that Lloyds Bank's failure to update me was extremely poor given how long this complaint had already been outstanding.

In my provisional decision I set out what I thought should happen next. Before doing so, I said I thought it was helpful to set out what had happened in this complaint and how authentication is meant to work in a bit more detail. Here's what I said:

> "***strong customer authentication and the changes Lloyds Bank made***
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> *Lloyds Bank has told us that it made changes to its processes in order to implement new regulations that came into effect in September 2019 that affected the whole banking sector – namely the Payment Services Regulations 2017 ("PSRs"). Those regulations required payment service providers ("PSPs") to apply strong customer authentication in certain circumstances. Those circumstances are set out in in Article 100 of the regulations which says:*
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> > *"A payment service provider must apply strong customer authentication where a payment service user—*
> >
> > *(a) accesses its payment account online, whether directly or through an account information service provider;*
> >
> > *(b) initiates an electronic payment transaction; or*
> >
> > *(c) carries out any action through a remote channel which may imply a risk of payment fraud or other abuses."*
>
> *The FCA gave PSPs until March 2020 to implement strong customer authentication for online banking and has given the e-commerce industry until March 2022 to implement strong customer authentication for online payments. The e-commerce industry includes card issuers, payment firms and online retailers. There was, of course, nothing to stop firms bringing in strong customer authentication sooner than that, if they wanted to do so.*
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> *The Payment Services Regulations – which implemented an EU Directive from 2015 commonly known as the revised Payment Services Directive – define "strong*

customer authentication" as:

> *"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"); and*
>
> *(c) something inherent to the payment service user ("inherence")."*

In short, strong customer authentication involves, amongst other things, checking that the person accessing a payment account online or initiating an electronic payment is permitted to do so. PSPs have to "authenticate" the person in question using factors based on "knowledge", "inherence" or "possession" and must use at least two independent factors when doing so. They can't, for example, check using only "knowledge" based factors, but they can check using one or more "knowledge" based factors and one or more "possession" based factors. Ms F is unhappy that Lloyds Bank changed its processes – she wants to be able to carry on logging on the way she had done before – and unhappy that the changes involved her having to use a phone in order to authenticate.

Lloyds Bank's approach to implementing strong customer authentication

I don't think it was unfair or unreasonable of Lloyds Bank to implement strong customer authentication – it's an important measure to help combat fraud. Ms F would like to carry on logging onto online banking the way she used to. I can understand why she's said this, but I don't necessarily agree with her that I should be telling Lloyds Bank not to implement strong customer authentication measures for her account. I do, however, agree with our investigator that Lloyds Bank needs to offer alternative ways of authenticating that are viable for customers like Ms F. I'd like to explain what the FCA has said about strong customer authentication and its expectations first before saying what I think that means in this case.

What has the FCA said about strong customer authentication and its expectations?

The Financial Conduct Authority (the "FCA") has published several papers about strong customer authentication and its expectations and it has written to firms about this too. In a paper published in June 2019 – "Payment Services and Electronic Money – Our Approach" – the FCA described its approach to the PSRs and payment services and e-money related rules in its Handbook. In paragraph 20.21 of its paper the FCA said:

> *"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 [Payment Service Provider] 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."

The FCA has, in my opinion, made it clear in its paper and elsewhere that businesses shouldn't rely on mobile phones alone to authenticate their customers and should provide viable alternatives for different groups of customers. The FCA has, in my opinion, also made it clear in this paper and elsewhere that this includes people who don't possess a mobile phone or a smart phone and not just those who can't use one. The FCA has talked, for example, about managing the potentially negative impact of strong customer authentication on different groups of customers "particularly the vulnerable, the less digitally engaged or located in areas with limited digital access". And the FCA has also talked about the need for firms to develop strong customer authentication "solutions that work for all groups of consumers" and has said that this means they "may need to provide several different authentication methods for your customers". Ms F's complaint is, as I'm about to explain, wider than this. She doesn't want to use phones at all – and not just mobile phones.

Why is Ms F complaining?

Ms F is complaining about two things, broadly speaking, namely that she doesn't like the fact that Lloyds Bank has changed its processes – she'd rather go back to the "old way" of logging on – and she's not happy with the options Lloyds Bank offers. Lloyds Bank accepted – following our investigator's view – that none of the options it offered at the time worked for Ms F given that they all involved phones at some stage. Lloyds Bank subsequently offered her a token, but it's more likely than not that this wouldn't have resolved Ms F's complaint – had Lloyds Bank actually sent her one in the twelve months since it originally offered one – for the reasons I'm about to set out.

Should Lloyds Bank have done more for Ms F?

No-one is disputing the fact that Lloyds Bank could and should have done more. That's because Lloyds Bank accepts that all of the options it offered at the time Ms F complained involved the use of a phone at some stage. The question is whether or not Lloyds Bank's offer of a token made a difference.

Lloyds Bank offered to send Ms F a "token" she could use to authenticate. That's an offer it's made on other cases – and it's an option that I've previously explored with Lloyds Bank. Having previously done so, Lloyds Bank accepted that it had wrongly claimed the token would help customers authenticate when they're doing online banking and online shopping. I issued a Final Decision on this point in September 2022 in which I said:

> *"Shortly after I started looking into this complaint, Lloyds Bank said that it was planning to introduce an option to authenticate using a 'token'. I explored the 'token' with Lloyds Bank further as it looked like it might solve Mr H's complaint. Having done so, it became clear that the 'token' only allows customers to authenticate when they're doing online shopping – it doesn't allow them to authenticate when they're doing online banking. That's important because Mr H is only interested in online banking, so the 'token' doesn't help."*

Lloyds Bank said at the time that it would check whether this error had an impact on any other complaints involving strong customer authentication that it was looking at / had attempted to resolve – which would have included Ms F's complaint. It's disappointing that Lloyds Bank appear not to have followed this through – even more

so given the issues I've already identified with its response to this complaint.

Other issues

I've seen Ms F's statements and it appears that she doesn't use her Lloyds Bank account on a regular basis – and that there's no activity on her account some months. Lloyds Bank doesn't send statements to customers when there's no activity on the account in any given month. I can, therefore, understand why Ms F wasn't always receiving statements and can see that Lloyds Bank has explained this to her. Because there was so little activity on the account, Lloyds Bank says it also withdrew her overdraft limit. Again, I can see Lloyds Bank has explained this to Ms F, and it's something we see. In the circumstances, and because these appear to be separate complaints, I don't plan to say more unless Ms F can show – in response to this provisional decision – that the reason why she wasn't using her account on a regular basis was because of the difficulties she was having authenticating. If so, these would be issues that I could consider as part of this complaint."

In my provisional decision, I also said what I thought Lloyds Bank should do in order to put matters right. I said:

"*I'm satisfied that Lloyds Bank doesn't offer a solution that works for Ms F, notwithstanding what the FCA has said. It means Ms F won't be able to manage her account the way she'd like to. I'm also satisfied that there have been very lengthy delays in this complaint, and that Ms F has been anxious throughout that time. In the circumstances, I'm minded to require Lloyds Bank to pay Ms F £750 in compensation in full and final settlement of her complaint – reflecting the distress and inconvenience she's experienced to date and the fact that she won't be able to manage her account the way she'd like to going forwards.*"

Putting things right

Both parties replied to my provisional decision. Lloyds Bank agreed to pay £750 compensation and Ms F said she'd like her account to go back to the "old way" of working. In addition, she asked about the "token" I'd mentioned and how that worked. For the reasons I gave in my provisional decision, I don't think it was unreasonable of Lloyds Bank to make changes to its processes in order to implement strong customer authentication. I also, however, remain of the view that Lloyds Bank doesn't appear to be offering a solution that works for Ms F, notwithstanding what the FCA has said. And I remain of the view that this means she won't be able to manage her account the way she'd like to going forwards. The compensation to which Lloyds Bank has now agreed reflects that. So that's the award I'm going to make and is an award in full and final settlement of this complaint. That doesn't mean that I don't expect Lloyds Bank to get to the bottom of why it's having difficulties getting a "token" set up for Ms F given that this would at least allow her to shop online. In the event that Lloyds Bank doesn't do so within a reasonable time, Ms F would be able to raise a fresh complaint about Lloyds Bank failing to provide her with a "token".

My final decision

My final decision is that I'm upholding this complaint and requiring Lloyds Bank PLC to pay Ms F £750 in compensation for the distress and inconvenience it has caused – £350 of which it has already paid – in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 10 August 2023.

Nicolas Atkinson
Ombudsman