

The complaint

Mr M complains NewDay Ltd said he'd need a mobile phone if he wanted to carry on using his credit card.

What happened

Mr M says he'd had a John Lewis credit card for over 40 years and found it useful as he shopped at Waitrose on a regular basis meaning he earned points and got vouchers.

Mr M says NewDay told him that if he wanted to carry on using his John Lewis credit card he'd have to apply for a new account with it – by October 2022 – and that in order to do so he'd need a mobile phone. Mr M complained to NewDay saying that mobile phones are not a secure way to authenticate customers and that it was unfair he was being denied credit because he refused to provide a mobile number.

Mr M says NewDay wrote back to him to say that it could find no error on its part as it required a mobile phone number for verification purposes and if it needed to contact him urgently. So, it wasn't upholding his complaint. NewDay said that if he was unhappy, he could complain to us. Mr M did so, saying that other businesses authenticated in ways that didn't involve mobiles – and that NewDay had sent a one-time passcode to his landline during his online application showing this was feasible.

One of our investigators looked into Mr M's complaint and said that they thought NewDay had acted unfairly in this case as it hadn't suggested any alternatives to a mobile phone. They recommended that NewDay pay Mr M £150.

Mr M was unhappy saying that the compensation made up for what he'd lost in one year as a result of no longer getting vouchers but didn't reflect the amount of time he'd spent, or the frustration involved. He also said he had reason to believe NewDay was asking for a mobile number so that it could harvest additional data. NewDay said that it had a workaround in place – meaning Mr M could go to a John Lewis store to open an account – and didn't think it had done anything wrong. As Mr M didn't agree with our investigator's recommendations, his complaint was referred to an ombudsman for a decision and passed to me.

Last month I issued a provisional decision saying that I didn't think NewDay had acted fairly. More importantly, I said that I was satisfied that an award of £250 would more fairly reflect the impact NewDay's actions have had on Mr M. So, that's the award I said I was minded to make. Both parties were invited to reply to my provisional decision. Only Mr M did, saying he had no points to add to my accurate summary of his complaint.

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.

Before I say what I think of this complaint, I think it would be helpful to set out what I said in my provisional decision. In it, I said:

"I'm satisfied that Mr M was told that he'd need a mobile phone if he wanted to carry on using his John Lewis credit card when he called NewDay in September 2022. And that he was also told that he'd need to apply for a new credit card – with NewDay – by the end of October 2022 as his existing John Lewis credit card would stop working. I'm satisfied that one of the reasons why NewDay said Mr M would need a mobile phone is because at the time it said it needed to have a mobile phone number for verification purposes. Or, to put it another way, in order to apply strong customer authentication. NewDay has since said that it can send one-time passcodes to landlines in order to verify its customers. The FCA has issued guidance that makes it clear that businesses shouldn't offer mobile only alternatives for authentication – something NewDay accepts. So, I don't think it was fair of NewDay to say to Mr M in September 2022 that he'd need a mobile phone for verification purposes. That wasn't the only reason, however, that NewDay gave for needing a mobile phone number. NewDay also said that it needed a mobile phone number in case it needed to contact Mr M as a matter of urgency – for example, in the event that it wanted to contact him about any suspicious transactions on his account. So, I've considered this too as well as the reasons why Mr M didn't want to supply a mobile phone number.

Mr M has told that he has a landline and that he doesn't want to supply NewDay with a mobile phone because he doesn't think they're a secure method of authenticating or trust NewDay's motives. And he believes there are better alternatives. I don't think it would be right for me to second guess whether or not a mobile phone is a secure method of authenticating, or NewDay's motives. And I don't think I need to anyhow. That's because NewDay has confirmed that it's able to send one-time passcodes to landlines for verification purposes. In addition, it can block a card that it had concerns about. In the circumstances, I don't agree that NewDay has given a particularly good reason why in this case someone who had been an existing John Lewis card holder needed a mobile phone."

In order to put things right I said:

"Our investigator thought that £150 was a fair award to make in this case. Mr M was unhappy saying that the compensation made up for what he'd lost in one year as a result of no longer getting vouchers but didn't reflect the amount of time he'd spent or the frustration involved. I accept this. So, I'm minded to award £250 in compensation as I believe that more fairly reflects the impact NewDay's actions have had on Mr M."

I remain of the view that NewDay acted unfairly in this case for the reasons I've given above. And that an award of £250 in compensation fairly reflects the impact NewDay's actions have had on Mr M.

Putting things right

For the reasons I've just given, I'm going to uphold this complaint and award Mr M £250 in compensation.

My final decision

My final decision is that I'm upholding this complaint and require NewDay Ltd to pay Mr M £250 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 February 2024.

Nicolas Atkinson
Ombudsman