

The complaint

Mrs K complains NewDay Ltd said she'd need a mobile phone if she wanted to carry on using her credit card.

What happened

Mrs K says she'd had a John Lewis credit card for several years and found it useful as she shopped at Waitrose on a regular basis meaning she earned points and got vouchers.

Mrs K says NewDay told her in August 2022 that if she wanted to carry on using her John Lewis credit card she'd have to apply for a new account with it – by October 2022 – and that in order to do so she'd need a mobile phone. Mrs K complained to NewDay saying that although she had a mobile phone she uses it for emergencies only and didn't want to use it for anything to do with her finances. Mrs K also said that she didn't want to use online banking – all she wanted to do was use her card.

Mrs K says NewDay wrote back to her 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 her urgently. So, it wasn't upholding her complaint. NewDay said that if she was unhappy, she could complain to us. Mrs K complained to us, saying, amongst other things, that the assumption that she could be contacted on her mobile if NewDay needed to speak to her urgently was wrong as her mobile was off most of the time. In the meantime, and in protest, she started shopping elsewhere in October 2022 using a different card. Mrs K says that she was able to get credit cards elsewhere – after an initial setback – without any issues.

One of our investigators looked into Mrs K'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 Mrs K £150.

Mrs K was happy with our investigator's recommendation. NewDay wasn't. NewDay said that it had a workaround in place – meaning Mrs K could go to a John Lewis store to open an account – and didn't think it had done anything wrong. NewDay also said that Mrs K could have given her mobile phone number when opening her account and updated her contact details to her landline once her account had been successfully open. Mrs K said she never received a letter about NewDay's workaround but there wasn't a John Lewis store near where she lived in any event. So, this option wouldn't have been viable. As NewDay didn't agree with our investigator's recommendations, Mrs K's complaint was referred to an ombudsman for a decision and passed to me.

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'm satisfied that Mrs K was told that she'd need a mobile phone if he wanted to carry on using her John Lewis credit card in August 2022. And that she 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 Mrs K 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 Mrs K in August 2022 that she'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 Mrs K as a matter of urgency – for example, in the event that it wanted to contact her about any suspicious transactions on her account. So, I've considered this too as well as the reasons why Mrs K didn't want to supply a mobile phone number.

Mrs K has told that she has a mobile phone but that she uses it for emergencies only – so it's off most of the time – and she doesn't want to link it to her finances as neither her nor her husband [who used to work in IT] believe mobiles are particularly secure. I don't think it would be right for me to second guess whether or not mobiles are particularly secure. 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 could 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. NewDay's suggestion that Mrs K could have opened an account using her mobile number and then changed her details afterwards reinforces the case that NewDay hasn't been able to give a particularly good reason why Mrs K needed a mobile phone.

NewDay has said that Mrs K could have opened an account using the workaround it put in place – this was in place until December 2022. I agree with our investigator that there's no evidence that Mrs K was sent a letter notifying her of the workaround – it's unclear whether these letters were sent only to customers who didn't have a mobile or also to customers who complained. Mrs K says she never received one. In any event, I agree with our investigator that there isn't a John Lewis store near Mrs K so this was unlikely to have been a viable option.

Putting things right

For the reasons I've given, I agree NewDay didn't act fairly in this case. Fortunately, the impact on Mrs K hasn't been substantial – she now shops elsewhere and has been able to take out credit cards elsewhere without any issues. So, £150 feels fair.

My final decision

My final decision is that I'm upholding this complaint and requiring NewDay Ltd to pay Mrs K £150 in compensation for the distress and inconvenience she's been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 20 February 2024.

Nicolas Atkinson
Ombudsman