

The complaint

Mr G complains that National Savings and Investments (NS&I) security processes aren't secure.

What happened

Mr G says that NS&I's Information Technology (IT) is inadequate and doesn't work as when he tried to log in online the system blocked him. Mr G attempted to withdraw funds from his premium bonds. He says that when he contacted NS&I he was asked for his password, which he says is a breach of advice from the banks to not disclose a password over the phone. He had a technical issue on 2 June 2023 when he received a new temporary password and tried to enter this online. Mr G made a complaint to NS&I.

NS&I did not uphold Mr G's complaint. They said when a customer does not have a valid password or security questions set up on their account they use an external credit reference agency to confirm the identity of their customers before the password can be reset by phone, or a new temporary password can be issued by post. Mr G brought his complaint to our service.

NS&I offered £50 compensation to resolve Mr G's complaint when it was brought to our service as they didn't address his concerns in their final response to him, and due to the technical error on 2 June 2023.

Our investigator felt the £50 compensation was fair. He said that Mr G received a telephone call to his registered mobile and entered the code which appears on NS&I's website into his mobile phone's keypad. But due to a known issue with some phone network providers, the tone of the keypad did not register, which he couldn't hold NS&I responsible for this. He said Mr G was locked out of his account due to the security code being entered incorrectly. Our investigator said that when he phoned NS&I, he was taken through security questions and Mr G answered these correctly.

Our investigator said that Mr G was then transferred to an agent to change his password. He said that the agent could not see any of Mr G's personal information – and that's how NS&I guarantee security. He said the agent wouldn't be able to link Mr G's password to his account. But Mr G opted to complete an online form and have a temporary password sent through the post. He said there were technical issues in logging into the account which resulted in yet another phone call to the contact centre, and Mr G changed his password via the phone.

Mr G asked for an ombudsman to review his complaint. He asked a number of questions. In summary, he said the platform he uses is being blamed by NS&I for being unable to log into his account, but he has used the same telephone three times since this incident and it has worked perfectly, so if this was not the case how could he use the system without issue now?

Mr G said he's experienced issues with NS&I's IT, their new, so called safe system using what he considers to be an unsafe telephone method for passwords. He said he doubts they

still use this system which points towards a system failure and the telephone re-set being implemented for a short time, and he wanted NS&I to be asked about this. He asked how he was supposed to know that their new telephone system (now abandoned) was safe, as he only had their word for this again by telephone, which is what a fraudster would do, which undermines the advice not to give passwords over the telephone.

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.

Mr G has made a number of points to this service, and I've considered and read everything he's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of his complaint in deciding what's fair and reasonable here.

I'd like to explain to Mr G that it is not within this service's remit to tell a business how they should run their security procedures, such as how they complete their security processes, and what information they require their customer's give them over the phone in order to reset a password. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct NS&I to make changes to their policies and procedures, if necessary.

Mr G initially faced problems when he was challenged by the security telephone call. NS&I have explained to us that when a customer makes a withdrawal that their system will either challenge their customer with a security call, security questions (or neither). This is random, and this could explain why Mr G believes he hasn't had a security telephone call when making further withdrawals (such as his withdrawals on 3 August and 23 August 2023 where security questions were asked as opposed to a security call).

Although the security call didn't work for Mr G on 21 May 2023, Mr G's contact log audit with NS&I shows that Mr G had passed a security call check the previous time NS&I gave him a security call on 5 January 2022. And I can see that he also passed a security call check on 2 June 2023. Mr G had issues on 21 May 2023 as he was required to enter the code from his screen onto his phone keypad and also press the hash key. Mr G was unable to successfully do this in five attempts, and that is why his password became suspended.

NS&I have said that they are aware of an issue that impacts some customers from time to time which involves keys on their phone not being recognised during the call (which includes the hash key). They've said that the problem is caused by the actual phone provider and not themselves (as they say it is due to the phone provider's poor quality compression of specific reverse files). So I'm unable to conclude what happened here was an NS&I error.

Mr G contacted NS&I. I've listened to this call. Mr G explains that he's tried to make a withdrawal, but when he presses the hash key that he was expecting this call, it won't let him go any further (to enter the number). The call handler asks Mr G if he's held it down (the hash key) for a few seconds, Mr G says he can't, but the call handler says he can. The call handler advises Mr G to put him on hold so he can try this again, but Mr G tells the call handler he hasn't got a call, and then he tells the call handler his password has been suspended now.

As Mr G's password was suspended, the call handler followed NS&I's security procedure to reset the password over the phone, using knowledge based authentication), which Mr G passed. He tells Mr G *"that's my part of the process completed, I'm now going to transfer you through to security validation, to set up the security on your account."* He explains the requirements of the password, and then he says *"please stay anonymous to the next*

operator and only give them the information that they ask for as it will be a secure line. If you are now ready, please hold the line once I transfer you through”.

Mr G asks what they will do and he asks if they will *“allow me to reset my password?”* and the call handler says *“they are going to go ahead and reset the password with you on the line”*. Mr G is transferred to a new call handler. And I’ve listened to this call also. The call handler asks Mr G to provide the password when he is ready. Mr G has concerns about this and asks if this is normal as he’s been told not to give out this type of information.

The call handler confirms he understands that, and he says *“when the call comes through to me sir, the system stage which comes up, contains no information about you at all. All I see is err a new password and a verify new password screen, just asking for your new password. And I will never ask you for your name or anything that identifies you. I know it seems a little unusual, but we do take your password security very, very strictly. No one will ever know your password here apart from this one time, but I never know who you are, and I can’t link you to your account at all”*.

Mr G explains he is uncomfortable doing this, and suggests he withdraws his full holdings with them. The call handler directs Mr G to a form where he can withdraw from his NS&I holdings. Mr G asks if there is another way apart from giving the call handler his password over the phone.

The call handler checks with his supervisor, and they suggest a temporary password could be sent out which can be input online when he receives that. Mr G is then transferred to a different call handler to raise his complaint (as the current call handler can’t access Mr G’s account as he goes through anonymously to him). Mr G completed a forgotten security details form online, and this generated a temporary password which was sent out to him.

I have then considered what happened when Mr G received the temporary password. I’ve listened to a short call on 2 June 2023, where he explains to the call handler there is a technical error on his screen when he enters this, and to ring the helpdesk, so that’s what he’s doing. Mr G is asked for two specific characters of this password and his address then he is transferred through to the security validation team.

I do not have the next call to listen to as NS&I have said Mr G did give them a password on this call. So obviously for security reasons, NS&I wouldn’t send this call. But from the audit log I can see Mr G has successfully been able to log into his account after this.

I can understand why Mr G has been hesitant to provide his password, as general advice is that he should not give out his password to anyone – including financial institutions. It is not part of our service’s remit to ask a business to change their process, even though Mr G wants NS&I to do this.

But I am persuaded the process is secure. I say this because the difference between NS&I and a general financial institution is because NS&I transfers their customer to a team who do not have access to his details, as confirmed by the call handler in the validation team on his second call on 21 May 2023. He confirmed his screen only showed a screen for him to enter Mr G’s new password and a verify new password screen. So this is why I’m persuaded this is secure, as opposed to a call handler being able to see it is Mr G, see his details, and then take his password, which would be a major security issue.

There was a difference when Mr G spoke to a standard customer service agent compared to when he spoke with someone in the security validation team. I say this because the call handler on 2 June 2023 did have Mr G’s details in front of him, and that is why Mr G was only asked for two characters of the password, whereas the security validation team did not

have Mr G's details in front of him at all on 21 May 2023.

NS&I confirmed their requirements haven't changed. They said that the requirements for a password has been the same for years, as they ask two characters over the phone and for the full password online. But when setting up the password over the phone they do require the full password, but this is done securely. NS&I said the only new introduction is the requirement of 2FA (two-factor authentication) – which was introduced in July 2022 – but Mr G has not had an issue with the 2FA process. So I'm not persuaded NS&I have abandoned this process as Mr G has suggested they have.

I've considered what Mr G has said about how he only had the call handlers word for this being NS&I's process to give the full password over the phone, which is what a fraudster would say. But I'm not persuaded Mr G was in any doubt he was on the phone to NS&I as he had already answered security questions on the first call. And I wouldn't expect a call handler on a recorded call to transfer him to someone outside of NS&I. And Mr G didn't give his password on the second call on 21 May 2023.

But out of courtesy to Mr G I asked NS&I this question. NS&I said that in the unlikely event that a fraudulent act was committed on Mr G's account, they offer 100% security as they are backed by the treasury, so in the unlikely event someone did hack into Mr G's account, they would cover any losses. So I'm persuaded that Mr G would have been covered here if a fraudulent event occurred. Mr G did give NS&I a password on 2 June 2023 over the phone, and he's not told us about any security issues/fraud occurring after he did this, so I can't conclude their process is unsecure.

It would have been possible for Mr G to complete this process without giving NS&I the password over the phone. But unfortunately when Mr G tried to enter the temporary password online, there was a technical issue preventing him doing this. So I can't say that NS&I only allow a password reset to be processed on the phone, but this technical issue did impact Mr G's ability to input this online on this day.

So I've considered what would be a fair outcome for this complaint. I'm not persuaded that there was an undue delay for Mr G receiving his funds from his withdrawal by using the online form as this was actioned the following day. Mr G was perfectly entitled to not give NS&I his password on the call – which is what I would expect if he had security concerns. But this meant he needed to wait for the temporary password, which would naturally take time for him to receive.

I do think the technical issue on 2 June 2023 inconvenienced Mr G to have to ring up NS&I, which he shouldn't have needed to do. But ultimately he chose to give NS&I a password on the following call, and he was then able to successfully use his account moving forward. NS&I offered Mr G £50 compensation for not fully addressing his concerns in his final response letter and for the technical issue on 2 June 2023.

I'm persuaded that compensation is due here for the poor service in terms of the technical issue on 2 June 2023 and for the lack of explanation NS&I gave Mr G in their response to his complaint. But I'm persuaded £50 compensation is proportionate for these issues. Our awards are not designed to punish a business. £50 is in line with our awards for the inconvenience Mr G was caused by the NS&I service issues. So it follows I'll be asking NS&I to pay Mr G £50.

Putting things right

NS&I have suggested they pay Mr G £50 compensation for not addressing his issues in their final response letter to him and for the technical issues on 2 June 2023, which I think is

reasonable in the circumstances.

My final decision

I uphold this complaint in part. National Savings and Investments should pay Mr G £50.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 11 March 2024.

Gregory Sloanes
Ombudsman