

The complaint

Mrs B is unhappy that she had multiple declined transactions when using a credit card she holds with NewDay.

What happened

Mrs B has a credit card with NewDay which she says she uses on a fairly ad hoc basis. In November 2023 Mrs B attempted to use the credit card for a transaction but it was declined. Mrs B says this caused her embarrassment and frustration.

Mrs B later received a text message from NewDay asking if it had been her using the card. As the text didn't contain any details about the transaction, Mrs B says she didn't respond to it as she was unsure if it was genuine. Later, Mrs B received a further text which set out the amount of the attempted transaction and she called NewDay in response.

During the call Mrs B tried to ascertain why the transaction had been declined. The agent explained that the transaction had been flagged up as unusual and that NewDay wanted her to confirm it had been a genuine use of the card. The agent then asked Mrs B if she wished to have the credit card unblocked, but unfortunately there was a technical difficulty with the call and the agent was unable to hear Mrs B's response. The call terminated.

Mrs B says that as she had called in response to NewDay's text it would have been clear she wanted the credit card unblocked. She says she assumed the agent would have taken this action as there had been no attempt to call her back. However, a few days later she had tried to use the card again but had been unable to. Mrs B wrote to NewDay asking for the card to be unblocked and also made a complaint about its handling of her account.

NewDay upheld Mrs B's complaint as it said when the call had terminated due to the loss of connection the Fraud Department should have called her back and didn't. It awarded her £25 compensation for the distress and inconvenience caused.

NewDay said it was satisfied its fraud process had worked correctly as the transaction had flagged up as unusual and it had needed Mrs B to confirm it had been genuine. It said a temporary block had been placed on the card and Mrs B had been sent a text and left a voicemail message. When Mrs B had called NewDay the call had lost connection and NewDay said this resulted in the block remaining in place. NewDay said that due its phone system the agent hadn't been able to call Mrs B straight back.

Mrs B was unhappy at NewDay's response and complained to this service. She said she didn't understand why the transaction had been declined and the card blocked. Mrs B also said that when she called the agent, they had agreed to put things right before the end of the call, but hadn't then done so. She said £25 compensation was inadequate for what had happened.

Our investigator didn't recommend Mrs B's complaint should be upheld as he thought NewDay had acted fairly with its offer of £25 compensation. He said NewDay accepted it should have called Mrs B back after the call had lost connection.

Our investigator said that NewDay has a system in place for flagging up suspicious transaction and Mrs B's payment had been caught by this. He said all banks have fraud systems in place and he couldn't reasonably say declining the transaction had been unreasonable. Mrs B hadn't then responded to the text message to say it had been a genuine use of the credit card so he thought the blocking of the card had been fair.

On listening to the call between Mrs B and NewDay, our investigator said he understood why the agent hadn't unblocked the card straight away. He said the agent had asked Mrs B if she wanted it unblocked but she had asked that they hold on while she queried why the transaction had been flagged up. When the agent asked a second time if she wanted the card unblocked the call had disconnected and they hadn't heard Mrs B's reply.

Our investigator said NewDay should have called Mrs B back, but that she could also have called NewDay again as she would have been aware the call had ended abruptly.

Mrs B disagreed with our investigator's view. She said it would have been clear that as she had called NewDay and confirmed the transaction that she was seeking the block to be removed. She said she didn't understand the reason given as to why that agent hadn't been able to call her back straight away. Mrs B also said she didn't understand why the transaction hadn't been paid and had been thought to be fraud. She said having the transaction declined had been embarrassing and she been forced to make alternative arrangements to pay for that service.

As the parties have been unable to reach an agreement the complaint has been 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 appreciate Mrs B's frustration at the transaction being declined, she says it hasn't been explained to her why it was thought to be fraudulent. However, this wasn't a decision made by an individual, but by an algorithm designed to detect potential fraudulent payments. All banks will operate similar fraud detection systems in order to protect both their customers and themselves. These fraud systems work in real time and will flag up transactions that are considered to be unusual. This means Mrs B's payment would have been declined for a number of possible reasons, such as the amount, paying over the phone, that the payee was new to her or that it didn't fit her previous pattern of card use. So, NewDay wouldn't be able to provide Mrs B with a definitive reason why her particular transaction had been considered as potentially fraud.

As fraud prevention and detection is a necessary part of banking processes, I can't reasonably say that NewDay's action in declining Mrs B's transaction was unfair or unreasonable even though this transaction hadn't been fraudulent. I appreciate it meant she couldn't use the credit card as she had wanted, but in these circumstances, I don't think that compensation for that inconvenience is warranted.

Mrs B didn't then respond to the text from NewDay querying the transaction, so a block remained on the credit card. I appreciate Mrs B's view that when she called NewDay it would have been clear she was seeking the block to be removed. But it isn't disputed by NewDay that it should have done more about contacting Mrs B after the call disconnected and her reply about having the block lifted not heard. I can understand why she didn't call NewDay back herself.

Mrs B is unhappy about the explanation as to why the agent couldn't call her back as NewDay said they were on an internal phone system. I accept the agent may not have had the facility to make external calls, but in any event as set out above, NewDay agrees it didn't provide Mrs B with the service she would have reasonably been expecting. So, I don't think the agent's ability to call Mrs B back or not makes a significant difference as NewDay accepts it should have done more than it did to assist to Mrs B.

NewDay has provided Mrs B with compensation for its failure. Mrs B has said she doesn't think £25 is sufficient, but although I appreciate this will be of disappointment to her I disagree. When considering an award of compensation, I must take into account the impact of the business' actions on the consumer. Here, Mrs B wasn't able to use her credit card on a subsequent occasion. While I note this would have been frustrating, inconvenient and caused her some embarrassment I think £25 is a fair amount to reflect that. So, I'm not upholding Mrs B's complaint nor am I asking NewDay to increase the compensation provided to her,

My final decision

For the reasons set out above, I'm not upholding Mrs B's complaint as I think NewDay has already acted fairly in addressing her complaint. And I'm not asking it to do more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 27 August 2024.

Jocelyn Griffith
Ombudsman