

The complaint

Mr C says NewDay Ltd, trading as John Lewis Credit Card, unfairly continued to block payments he tried to make using his credit card account.

What happened

Mr C was prevented from making a purchase using his credit card in September 2023 due to suspected fraud. He called NewDay as it had instructed by SMS message, but the call was cut off. When Mr C called back, he passed the necessary security checks and it agreed to remove the block on the account. NewDay sent Mr C a further SMS message when another block was added to the account but had no record of any further contact from him until two days later when it was removed.

Mr C complained that the transaction was declined two more times after the initial attempt, despite him following the instructions he was given, but the complaint was rejected by NewDay. It said it was necessary to restrict the account as it did. It was unwilling to reimburse Mr C for the loyalty points he said he was denied through not being allowed to use the account to make the purchase.

Unhappy with NewDay's response, Mr C complained to this service. Our investigator looked into the complaint but didn't recommend that it should be upheld. They believed NewDay had acted fairly given the perceived threat posed to Mr C's account, and the fact that the initial call was cut off and Mr C didn't contact NewDay soon after the account was blocked once again.

As Mr C disagreed with the investigator's findings, the complaint was passed to me to review afresh and reach a decision. On doing so, I issued a provisional decision upholding the complaint. I considered that, after the initial blocking of the transaction, NewDay had led Mr C into believing restrictions had been lifted and that he could go ahead and make the transaction again. When the transaction was blocked a second time, this caused him avoidable distress and inconvenience for which NewDay should pay £75 as compensation.

I asked the parties to respond with their further comments and evidence before I reconsidered the complaint and issued a final decision. Both parties confirmed their acceptance of my provisional decision.

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 C's raised questions and points about the actions of NewDay, all of which I've considered. But ours is intended to be a service that's quick and informal to use and I'm not required to address them all in this decision. Instead, I've focussed on the key issues that I believe go to the heart of the complaint.

Having done so, I uphold the complaint. I'll explain why.

Mr C's made it clear that he has no issue with NewDay blocking his first attempt to make payment using the account. As I'm sure he appreciates, it's for NewDay to do what it reasonably can to protect itself and its customers from the risk of fraud.

This is also reflected, for instance, in the credit agreement governing the operation of Mr C's account. Among other things, it says NewDay can refuse to authorise transactions where it reasonably suspects fraud or to maintain the security of the account. From experience, such terms are commonly included in these agreements.

Balancing the need for both convenience and security can sometimes pose problems for banks and their customers. But from the information I've seen, I don't find that NewDay was wrong in initially restricting the account or in trying to protect Mr C and his account as it did.

That said, I've also considered the way in which NewDay continued to apply the account restrictions that it did. And how NewDay communicated with Mr C about the restrictions. In doing so, I've placed emphasis on recordings of the calls made between him and NewDay on the day in question as well as what its records from back then show.

The quality of the line during the first call was very poor. NewDay's representative struggled to hear Mr C as the line was cutting in and out. When the line finally went silent, they asked Mr C if he could call back assuming he could still hear them. When Mr C called back soon afterwards, the line was seemingly much better. The representative sent him a one-time password for him to repeat back, which he did before being told he was clear to re-attempt the transaction and that it would now go through. It didn't go through.

In the circumstances, and given the uncertainty as to whether the transaction was legitimate, I can see why NewDay was unwilling at first to allow it without undertaking further checks. Neither party was to blame for the poor line during the first call. I appreciate this might all have proved frustrating for Mr C, but I'm not persuaded that NewDay did much wrong up to that point.

However, where I think NewDay could have done better is in the actions it took following the initial blocking of the account. Having unblocked the account following Mr C's second call, he was given the reasonable expectation by NewDay's representative that the transaction would subsequently be allowed when he tried again. What happened instead was that the account was blocked once again, contrary to what Mr C had clearly been told by NewDay's representative.

When Mr C complained and NewDay issued its final response, it only very briefly commented on this issue. Specifically, it said '*a higher level of security was triggered when you attempted to use your card, and we added a temporary restriction to your account.*'

I'm satisfied that Mr C was left feeling frustrated and inconvenienced by NewDay's actions such that I feel some compensation is due to him. Taking account of the lack of information Mr C was given and weighing this against the fact that he was ultimately able to make the purchase (albeit I gather using an account held with a third-party), I think NewDay should pay him £75. The amount also includes compensation for any account-related loyalty points Mr C may have missed out on accruing.

In arriving at this amount, I've also thought about the fact that NewDay didn't hear back from Mr C for a third time on the day in question. And that he didn't contact it again until two days later, when a further transaction on a supplementary card on the account was blocked.

Putting things right

In the absence of any substantive comments in response to my provisional decision, I reaffirm the redress I set out in it. Namely, that MBNA should pay Mr C £75 as compensation for the impact of the distress and inconvenience it's put him to and for him missing out on accruing any loyalty points.

My final decision

For the reasons given, I uphold this complaint. I require NewDay Ltd, trading as John Lewis Credit Card, to put things right for Mr C as explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 5 June 2024.

Nimish Patel
Ombudsman