

The complaint

Mrs S complains that NewDay Ltd failed to treat her fairly when it blocked a transaction she attempted to make on her credit card to allow a fraud check to be completed.

What happened

Mrs S holds a credit card provided by NewDay. In October 2023 she contacted NewDay to request an increase in her credit limit as she was about to purchase some airline tickets. NewDay explained to Mrs S that it was unable to offer a credit limit increase. But it told Mrs S that she could instead pay some additional funds into her credit card account, and that would provide her with sufficient credit to complete her intended purchase. Mrs S added £4,000 to her credit card account later that day.

At around 11:35pm that evening Mrs S made her purchase of the airline tickets – the purchase price was £3,458. But the airline's website said that the transaction had not been completed as her credit card had been blocked. The airline agreed to hold Mrs S's booking until the following morning to allow her credit card issues to be resolved.

NewDay says that Mrs S's transaction had been blocked by its fraud prevention system. It said that it sent Mrs S a text message asking her to get in touch to verify the payment. Mrs S says that the text was not received. But Mrs S contacted NewDay early the following morning and the transaction was allowed to proceed successfully completing her airline booking.

Mrs S complained to NewDay about what had happened. She said that she had made the firm aware of her impending purchase and had added sufficient credit to her account for it to be completed. She said she had been caused a great deal of distress and inconvenience overnight before she could get the transaction released. NewDay didn't agree with the complaint, saying that its fraud prevention systems had worked correctly. Unhappy with that response Mrs S brought her complaint to us.

Mrs S's complaint has been assessed by one of our investigators. He didn't think NewDay had treated Mrs S unfairly. He said it was for the firm to decide how to implement its fraud prevention measures. And he thought the relevant terms and conditions of the credit card allowed NewDay to review any purchases it thought might be suspicious. So he didn't think the complaint should be upheld.

Mrs S didn't agree with that assessment. So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process.

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.

In deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mrs S and by NewDay. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

At the outset I think it is useful to reflect on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

It is understandable that Mrs S might have been concerned when her attempted purchase failed due to her credit card being blocked. And I think those concerns might have been heightened following the warning she had given the firm of the transaction in her conversation earlier that day. But I'm sorry to tell Mrs S that those concerns, whilst entirely reasonable, do not lead me to a conclusion that NewDay did something wrong.

Mrs S appears to accept that it is reasonable for firms such as NewDay to have measures in place to identify transactions that are suspicious. Each firm will have different parameters by which they make that assessment. And those parameters will be reviewed by firms on a regular basis to make use of data that has been gathered from its customer base. I think it is important to acknowledge that those checks are most effective when the actual parameters used are not known outside the organisation – publishing details of the checks would allow potential fraudsters the opportunity to circumvent them.

There is no dispute that Mrs S had sufficient credit on her card account for the transaction to proceed. But that wasn't the reason her intended purchase was blocked. I accept that Mrs S had given some prior notice of her intended purchase earlier that day. But fraud checks such as these, in their initial stages, are not manual interventions. It is only later, when a consumer contacts the firm, that a manual assessment of a blocked transaction is made. Again, I don't think that is unreasonable – the sheer volume of transactions being processed would make manual assessments of them all to be unfeasible.

NewDay says that it sent a text message to Mrs S when her intended transaction was blocked, although Mrs S says that the message wasn't received. I do note that Mrs S says her phone is generally switched off – and only turned on when a call or message is expected. She says that happens often with her credit card when a one time passcode ("OTP") is sent to her, and she gets a notification from the purchasing website that warns her a code will be needed.

I think the text message the NewDay sent here was different to the normal OTPs that Mrs S receives. NewDay had identified this transaction as suspicious so it needed a greater level of confirmation from Mrs S before it could be allowed to proceed. Mrs S would have needed to speak with NewDay's fraud team, rather than simply enter an OTP, before the payment was made.

It is for NewDay to decide how it implements its fraud prevention measures. Naturally those measures will present some inconvenience to consumers making genuine transactions that have been flagged in error. Card issuers will naturally wish to minimise those false positives. But I don't think there is any reasonable expectation that they will be eradicated entirely. So in some cases, such as happened here, a degree of worry and inconvenience will be

experienced by consumers. But on balance I think that inconvenience is far outweighed by the prevention of fraudulent transactions.

I appreciate that my decision will be disappointing for Mrs S. I am pleased to see that her purchase did complete successfully the following morning, and that the airline assisted her by holding her booking until the fraud check had been completed. On balance I'm satisfied that NewDay's checks were appropriate, and reasonable. So I don't think this complaint should be upheld.

My final decision

For the reasons given above, I don't uphold the complaint or make any award against NewDay Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 30 August 2024.

Paul Reilly
Ombudsman