

The complaint

Mr W complains that Sainsbury's Bank Plc's strong customer authentication (SCA) process unfairly prevented him from using his credit card account.

What happened

I issued a provisional decision setting out what happened and what I thought about the complaint. I've copied the relevant parts of that decision below – and they form part of this final decision.

Mr W has held a credit card account with Sainsbury's for several years. Since opening the account he's moved abroad – but still has financial dealings in the UK and visits regularly. He primarily used his Sainsbury's credit card account for transactions in the UK. In June 2024, Mr W attempted to use his account to make a purchase online. The transaction was declined as it couldn't be authorised. Mr W said he attempted to contact Sainsbury's to find out what the problem was, but wasn't able to reach it by phone or email. He made a complaint – both about the declined transaction and the difficulty he had contacting Sainsbury's.

Sainsbury's didn't think it had made an error. It said it had introduced a one-time passcode (OTP) system as part of its strong customer authentication process following an industry-wide change. This meant certain online transactions needed to be authorised through an OTP and would otherwise be declined. It said it could only send OTPs to UK based mobile or landline phone numbers. Because Mr W doesn't live in the UK, he doesn't have a UK phone number – so Sainsbury's couldn't send him an OTP. It also had no record of Mr W trying to get in touch, and said it wasn't aware of any problems with its phone lines.

Still unhappy, Mr W referred his complaint to this service. He said he'd been unfairly disadvantaged and was left unable to use his account through no fault of his own. One of our Investigators considered the complaint and upheld it. They said they couldn't tell Sainsbury's to change its process or remove the requirement for OTPs. But they thought Sainsbury's had acted unfairly by not offering Mr W an alternative method of authorising his transactions. They recommended Sainsbury's pay Mr W £150 to recognise the impact the situation has had – and will continue to have – on Mr W.

Sainsbury's didn't agree with the Investigator's findings. It said this service couldn't interfere with its decision not to send OTPs to non-UK phone numbers. It also said Mr W hadn't been significantly disadvantaged – as he had alternative arrangements in place to make payments in the UK. It also didn't think a compensation award should account for any potential future impact to Mr W. Mr W said the award didn't fully reflect the inconvenience Sainsbury's had caused him – and he ultimately just wanted to be able to use the account the way he had previously.

Because the matter couldn't be resolved informally, the complaint has been passed to me to decide. Since the complaint was passed to me, Mr W says Sainsbury's has closed his account. This isn't part of the complaint Mr W referred to our service, so I won't comment on it here. If Mr W is unhappy with Sainsbury's decision, that's something he can raise

separately. I've taken into account the fact that Mr W no longer has access to the account as part of this provisional decision – as that wasn't the case when our Investigator carried out their review.

What I've provisionally 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 it would have been frustrating for Mr W to discover that he wasn't able to authorise transactions on his account, especially as he'd been able to use it without any problems for several years. Following the implementation of the Payment Services Directive (PSD2) and the Payment Services Regulations 2017 (PSRs), lenders such as Sainsbury's have been required to implement SCA processes.

I don't think it's unreasonable that Sainsbury's required some of Mr W's transactions to be authorised as part of the way it implemented its SCA process. Ultimately, this process is in place to protect Mr W from potential unauthorised transactions. I also can't interfere with Sainsbury's decision to only send OTPs to UK based phone numbers. But I've considered whether Sainsbury's treated Mr W fairly here – taking all of the circumstances into account.

Mr W says the options Sainsbury's has provided to authorise transactions aren't suitable for him as he doesn't own a UK mobile phone or landline. He says this has unfairly prevented him from using the account in the way he usually would.

In June 2019, the Financial Conduct Authority (FCA) issued guidance to firms including Payment Service Providers (PSPs) such as Sainsbury's detailing how SCA processes should be implemented. The guidance states:

"We expect firms to develop strong customer authentication solutions that work for all groups of consumers and we encourage firms to consider the impact of strong customer authentication solutions on different groups of customers, in particular those with protected characteristics, as part of the design process. It may be necessary for a PSP to provide different methods of authentication, to comply with their obligation to apply strong customer authentication in line with regulation 100 of the PSRs 2017. For example, not all customers will possess a mobile phone or smart phone and payments may be made in areas without mobile phone reception. PSPs must provide a viable means to strongly authenticate customers in these situations."

The FCA's guidance specifies that lenders ought to develop solutions that work for customers without access to a mobile phone. Although Mr W does have access to a mobile phone, he's unable to use it to authorise transactions due to restrictions put in place by Sainsbury's. So, I think it's fair to apply the principles set out by the FCA to his situation – and I'd have expected Sainsbury's to offer Mr W a viable method of authorising transactions without the need for a phone. For example, sending OTPs by email, or through an app.

Sainsbury's says customers without a mobile phone can use a UK landline as an alternative method of authorising payments. Although this is an alternative to a mobile phone, I don't agree this was a viable option for Mr W – as he doesn't have a UK based landline either.

I'm satisfied Mr W was unfairly affected by the options made available by Sainsbury's - as it didn't offer an option that would reasonably allow him to authorise transactions. This left him with limited use of his account. I can't direct Sainsbury's to change its processes, or put in place processes that it doesn't have. In any case, Mr W's account is now closed – so it's no longer possible for Sainsbury's to offer a process that would resolve the matter. But I've

considered the impact the situation had on Mr W while his account was open.

Sainsbury's says the impact to Mr W is minimal, as OTPs are only required for some online transactions. It also notes that Mr W has alternative payment methods – so the change hasn't left him unable to make purchases entirely. I appreciate Sainsbury's point that not all online transactions require authorisation. But some do – and Mr W had no way of knowing which transactions would need to be authorised until he made them. So, I can see why Mr W chose to seek out alternatives rather than risk his transactions being declined. But Mr W could continue to use his Sainsbury's account for in-person transactions while in the UK without the need for OTPs – so he still had some use of the account.

Mr W says that while he has other banking facilities, he doesn't have an alternative UK credit card account. This meant that to make UK based transactions, he needed to transfer funds from Great British Pound (GBP) to his local currency and use a credit card account based in his country of residence. Based on this, I'm satisfied that being without the full use of his Sainsbury's account meant making online transactions was less convenient for Mr W.

I can also see that while Sainsbury's did notify customers that they'd need to authorise transactions through a mobile phone before the process was put in place, it didn't specify that only UK phone numbers could be used. This meant Mr W wasn't aware that he wouldn't be able to authorise transactions using his registered mobile phone number until he attempted a transaction that required authorisation. This caused him some avoidable confusion and frustration.

Mr W also says he had trouble contacting Sainsbury's to discuss the problem. Sainsbury's has no record of receiving any calls from Mr W – and wasn't aware of any problems with its phone lines at the time. Mr W says he also attempted to contact Sainsbury's via email – but Sainsbury's doesn't have a customer email address. While I appreciate Mr W may have had difficulty getting through to Sainsbury's, I haven't seen anything to persuade me that this was due to an error it made or a problem with its phone system.

Although Mr W's account is now closed, I'm satisfied that the situation had an unfair impact on him while it was open. Mr W had to use a less convenient payment method for online transactions because Sainsbury's couldn't offer him a viable way of authorising transactions on his account. I've also considered that he could still use the account for in-person transactions. Considering all the circumstances, I think £150 is a fair reflection of the impact the situation caused to Mr W. So, I intend to direct Sainsbury's to pay Mr W that amount.

Responses to my provisional decision

Mr W didn't respond to my provisional decision. Sainsbury's said that – while it disagreed with the outcome – it had nothing further to add and accepted the 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.

Neither party has provided any new information or evidence in response to my provisional decision – and I see no reason to depart from it.

So, my decision remains the same. For the reasons outlined in my provisional decision, I require Sainsbury's to pay Mr W compensation of £150.

My final decision

My final decision is that I uphold Mr W's complaint. I require Sainsbury's Bank Plc to pay Mr W £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 9 April 2025.

Stephen Billings
Ombudsman