

The complaint

Mr G complains Bank of Scotland plc trading as Halifax isn't applying strong customer authentication correctly meaning his account is at risk.

What happened

Mr G has a credit card account with Halifax.

In May 2023 Mr G says he used his credit card online and was asked to complete strong customer authentication. He says all he was asked to do was enter a one-time passcode that Halifax sent to his mobile phone and that no other checks were done. He says he was concerned about this as he understood that strong customer authentication involved the use of two or more independent factors. So, he contacted Halifax for an explanation. He says he froze his credit card in the meantime, so that he wouldn't be at risk of fraud.

Mr G says Halifax initially told him that he'd been authenticated using his card details and a one-time passcode and that these amounted to "knowledge" and "possession" factors respectively. Mr G wasn't happy with this explanation saying that guidance had been issued saying that a customer's static card details didn't satisfy the "knowledge" factor. So, he questioned Halifax's explanation. Mr G says Halifax then said it used one-time passcodes in compliance with strong customer authentication and that it was keeping his account secure, but that Halifax wouldn't go into any more detail. Mr G wasn't happy with this explanation either, so he complained to us.

One of our investigators looked into Mr G's complaint. Following our involvement, Halifax accepted that its previous explanations were inadequate and offered £50 in compensation. In addition, Halifax said that it was able to authenticate Mr G as he'd used a "trusted device" and the one-time passcode it had sent him. Our investigator thought that Halifax's offer was fair and reasonable, and recommended that Halifax pay Mr G £50 in full and final settlement of his complaint. And that Halifax's explanation was sufficient.

Mr G was unhappy with our investigator, saying that both of the factors that Halifax and our investigator had mentioned were "possession" factors, so did not satisfy the requirement for strong customer authentication. He asked for his complaint to be referred to an ombudsman. So, his 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.

Mr G doesn't object to strong customer authentication and doesn't have, for example, any problems using a mobile phone. His only concern is that Halifax isn't applying strong customer authentication properly, and that this means he's at risk of fraud. I can understand why Mr G might feel that way, and it hasn't helped that Halifax has given several poor explanations about its approach to strong customer authentication. In other words, I agree that Halifax could have dealt with this better, and that it could also have given us a better explanation sooner too.

Halifax has now given us a better explanation of how it approaches strong customer authentication, and I'm satisfied based on that explanation that it is applying two separate and independent factors. That additional detail is sensitive, so it's not detail I can share with Mr G, other than to say that I agree with what he's said about the shortcomings of all the previous explanations he's been given. I hope that this will give Mr G the assurance that he's been seeking, meaning he'll feel comfortable using his card again.

Putting things right

Mr G has been caused unnecessary anxiety and inconvenience for which I consider an award of £150 would be more appropriate. So, that's the award I'm going to make.

My final decision

My final decision is that I'm upholding this complaint and requiring Bank of Scotland plc trading as Halifax to pay Mr G £150 in compensation for the unnecessary anxiety and inconvenience he's been caused. This would be in full and final settlement of his complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 22 September 2023.

Nicolas Atkinson
Ombudsman