

The complaint

Mrs H is unhappy that Lloyds Bank PLC are allowing contactless transactions on her debit card when she specifically requested that her debit card not have contactless functionality.

What happened

Mrs H asked Lloyds to provide her with a debit card that doesn't have the ability for contactless payments to be made, and with which she would always need to provide her signature to make a payment.

Lloyds provided Mrs H with a debit card in line with her request. However, while the debit card worked as Mrs H wanted with most merchants, there is one specific merchant (whom I'll refer to as 'T') which processed Mrs H's payments without requiring her signature. Mrs H wasn't happy that Lloyds were allowing T to process her payments without her signature as she wanted, so she raised a complaint.

Lloyds responded to Mrs H and explained that her debit card was working as she'd requested and tried to reassure Mrs H about the security of the payments she was making. Mrs H wasn't satisfied with Lloyds' response as T continued to process payment from her without requiring her signature. So, she referred her complaint to this service.

One of our investigators looked at this complaint. They felt that Lloyds had demonstrated that Mrs H's debit card was set up as per her requirements and as such felt that the root cause of Mrs H not being asked to provide a signature to T lay with T. Mrs H remained dissatisfied, so the matter was escalated to an ombudsman for a final 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.

When a payment is made to a merchant using a debit card, such as at a till in a store, the majority of merchants conduct such payments on an 'online' basis. What this means is that when the payment is made, the payment request is electronically sent to the bank which holds the account in real-time. The bank then responds and confirms that the payment amount is available in the account in question and relays any payment requirements. With Mrs H's debit card, these payment requirements include that a signature from Mrs H is needed for the payment to be authorised.

However, merchants can choose to conduct their payments on an 'offline' basis. This is uncommon, but in such cases the merchant has chosen to set up their payment systems so that the payment is accepted on good faith, as it were, without any real-time communication to the bank. This means that the merchant doesn't receive real-time confirmation that the payment amount is available in the customer's account, but also doesn't receive any information about payment requirements – such as the need for a signature.

In this instance, Lloyds have demonstrated to my satisfaction that they have provided Mrs H

with a debit card that doesn't have a contactless payment functionality, and which has the payment requirement of needing Mrs H to provide her signature.

However, as explained above, the payment requirement of Mrs H's signature being needed to authorise a payment won't be known by any merchant that chooses to conduct their payments on an offline basis. And it appears that T might be choosing to conduct their payments on an offline basis, which is why Mrs H isn't being asked for a signature by T when she makes a payment to them.

Importantly, there is nothing that Lloyds can do to compel a merchant to conduct payments on an online basis. It's the choice of the merchant as to what basis they choose to process payments on.

If T have chosen to conduct their payments on an offline basis, as appears may be the case, this is most likely to speed up transactions (because the real-time communication with banks can take time). But it's also the case that in choosing to conduct their payments offline, T have accepted the risks that come with that. These risks include that when the offline payment is later requested from the bank that the payment amount might not be available in the account, and also that there may be payment requirements linked to the debit card that they are not adhering to.

In short, I'm satisfied that Lloyds have done everything they can to protect Mrs H's money as per her requirements. This includes that they've provided Mrs H with a debit card that doesn't have contactless payment functionality, and which requires a signature from her to authorise the payment.

But if T has chosen to conduct payments on an offline basis, then it simply isn't possible for Lloyds to compel T to require a signature from Mrs H when she makes a payment at one of their stores – because T have chosen to conduct payments without any real-time communication with banks such as Lloyds.

All of which means that I don't feel that Lloyds have acted unfairly as Mrs H believes. And I feel that it is most likely T themselves that are the root cause of Mrs H not being asked for a signature when she makes payments with T.

I take this position because, as explained, Lloyds have demonstrated to my satisfaction that they have provided a debit card to Mrs H in line with her requirements, and because Mrs H isn't experiencing this problem with any other merchant.

It therefore follows that I won't be upholding this complaint against Lloyds. I realise this might not be the outcome Mrs H was wanting, but it unfortunately isn't the case that Lloyds can provide the level of protection Mrs H wants if a merchant chooses to process payments on an offline basis. In consideration of this, I hope that Mrs H will understand why I don't feel that Lloyds have acted unfairly and why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 14 January 2025.

Paul Cooper
Ombudsman