

The complaint

Mr A is unhappy that Kroo Bank Ltd applied a Cifas marker against his name. He wants the marker removed.

What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

Mr A opened an account with Kroo on 2 May 2023. A £25 credit was received in his account on 15 October 2023 and, two days later, Kroo informed Mr A that they'd placed a restriction on his account.

Mr A responded the next day saying:

"Hi I don't understand why my account has been locked one of my customer from my business sent me that payment and he has his order. So I am very frustrated at kroo for just locking my account".

Kroo replied later that day explaining they're required to prevent the misuse of their services and to ensure the safety of their customers' accounts. And they'd been notified the £25 payment had been disputed. So, they asked Mr A to provide documentation showing his entitlement to the funds – such as proof of sale/service or communication with the sender.

Kroo didn't receive anything from Mr A and, on 20 November 2023, they wrote to him confirming his account would be immediately closed. Kroo placed a marker against Mr A with Cifas.

Mr A complained to Kroo about this in January 2024. He was unhappy with Kroo's handling of this disputed transaction and that, because of the Cifas marker being applied, other banks had closed his accounts. Mr A explained the £25 came from a friend who said his bank account wasn't working – but he didn't know where this money came from.

Kroo didn't uphold his complaint. As Mr A remained dissatisfied, he referred his complaint to the Financial Ombudsman. Mr A explained that his friend told him the £25 was for his business and a legitimate payment, so he trusted him and allowed him to use his account. And after being notified by Kroo about the disputed £25 payment, he spoke to his friend and he was assured the payer was simply trying to obtain a refund even though the goods paid for had been sent. So, his friend told him to explain to Kroo that the payment came from a customer from his own business.

Mr A added that he was vulnerable at the time and trusted his friend. He is also unable to evidence his conversation with his friend as he's since changed his SIM contract to another provider to get a better deal. And when he sent his email to Kroo he didn't think it was going to be a big situation but this Cifas marker has massively impacted his life.

Our Investigator didn't think Kroo had acted unreasonably by applying the Cifas marker. She

considered what Mr A had said but she noted that he had given differing accounts for what the funds were for without providing any evidence to substantiate it. And that she'd seen evidence to show the £25 payment was subsequently transferred to another account held in Mr A's name.

Mr A disagreed and so the matter has been passed to me to decide.

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 A has explained that the Cifas marker has impacted him greatly, particularly due to the closure of his accounts with other banking providers. But while I know this won't be the outcome Mr A is hoping for, for largely the same reasons as our Investigator, I don't think Kroo has unfairly applied the marker. I'll explain why.

For the Cifas marker to have been applied fairly, Kroo needs to have more than a suspicion or concern. They must show they had reasonable grounds to believe that a fraud or financial crime had been committed or attempted. And the evidence must be clear, relevant and rigorous.

Having considered the evidence carefully, I'm satisfied Kroo has been able to demonstrate they've met the first of the two standards I've listed above. Kroo has shown they received a report from a third-party bank showing the £25 transaction was reported as fraud by the account holder. This clearly meets the bar that there are reasonable grounds to believe that a fraud or financial crime has been committed. So, I've gone on to consider if Kroo has been able to meet the second of the above two standards

Upon being notified of the account restriction, Mr A explained to Kroo the payment came from a customer for his business who had received their order. Kroo asked Mr A to evidence his entitlement to these funds but they didn't receive a reply. And so, in the absence of receiving such information, I think it was reasonable for Kroo to apply the Cifas marker at the point of closing Mr A's account in November 2023.

When raising his complaint with Kroo and referring it to the Financial Ombudsman, Mr A has since provided further reasoning for the payment along with why he didn't respond to Kroo's request for information at the time. He's said the £25 was for his friend's business, not his, and that it was this friend who told him to explain to Kroo that it was for his own business instead. He also didn't respond to Kroo, and is unable to provide evidence of his conversations with his friend regarding the £25 payment, due to breaking his phone and changing his SIM contract.

I've carefully considered what Mr A has said. Having done so, I find his testimony inconsistent and unpersuasive. This is because Mr A has given differing reasons for the payment – initially saying it was for his business, then it came from a friend and later that it was a payment for his friend's business.

Mr A has also said he didn't receive Kroo's request for evidence of his entitlement to the funds. But he's told us that he spoke to his friend, who guided him to say the payment was for his own business, after being notified of the disputed £25 payment. Kroo didn't however refer to the disputed payment in their initial correspondence on 17 October 2023 – but, rather, they only informed Mr A that they'd applied a restriction to his account. Kroo first notified Mr A about the disputed £25 payment the following day, in response to his dissatisfaction with his account being locked, when they also requested evidence of his

entitlement of funds. Given Mr A says he spoke to his friend after Kroo told him about the disputed £25 payment, I'm satisfied Mr A would've seen and been aware of Kroo's request for this evidence.

Mr A hasn't been able to provide any evidence, to Kroo or the Financial Ombudsman, of his entitlement of these funds or to substantiate the payment was for his friend's business. He's said this is due to breaking his phone and changing his SIM contract. But, from what

Mr A has told us, this happened much later and so this wouldn't have prevented him from providing the evidence to Kroo at the time of their request on 18 October 2023. But even if Mr A did have some difficulties, I would've expected him to have contacted Kroo about the matter much sooner rather than waiting until January 2024. Mr A also had the option of contacting his friend to provide supporting evidence, but this hasn't been forthcoming.

In any event, and in the absence of such evidence, I think it's also particularly relevant that it's been shown Mr A transferred the £25 payment to another account held in his own name. This is because if Mr A had allowed his friend to use his account for the payment to be received as he claims, I wouldn't have expected him to send the funds to an account in his own name. Instead, it would've been reasonable to have expected the funds to have been sent to his friend – or, even, withdrawn as cash so that it could be given to the friend if he was genuinely having banking difficulties.

Overall and having considered everything, I'm satisfied that Kroo acted fairly in applying the Cifas marker as I don't think Mr A has been able to sufficiently demonstrate he was entitled to the payment for legitimate reasons. I therefore don't think Kroo has to do anything further.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 30 April 2024.

Daniel O'Dell
Ombudsman