

The complaint

Mr P is unhappy with the service he's received from Kroo Bank Ltd surrounding a return of money into his account from a third-party bank.

What happened

In June 2023, Mr P made a mistake when instructing a £2,000 transfer from his Kroo account which resulted in the money being sent to an unintended recipient account with a third-party bank ("the receiving bank"). The receiving bank attempted to return the £2,000 to Mr P's Kroo account, but Kroo declined the payment as it was made to them in a format they didn't accept.

The recipient bank then tried to return the payment to Mr P's account a second time, using a different payment format. But Kroo again declined this payment because it wasn't made in the same format that the initial transfer from the account had been made in, and because the recipient bank hadn't included information that Kroo needed to accept the payment in the format it had been sent in. Mr P wasn't happy that his money wasn't being returned to him, apparently because of Kroo's inability to accept the returning payment from the recipient bank. So, he raised a complaint.

Kroo responded to Mr P and confirmed that the first time the receiving bank had attempted to return the payment, they'd done so in a format Kroo didn't accept, and that on the second occasion the receiving bank hadn't included all the information needed to allow Kroo to accept the payment. Because of this, Kroo didn't feel that they'd done anything wrong, and so they didn't uphold the complaint. Mr P wasn't satisfied with Kroo's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. They didn't feel it was fair that Mr P was still without the £2,000 that the receiving bank had tried to return to Kroo on two occasions and felt that Kroo reasonably should have done more to resolve the matter for Mr P. As such, our investigator recommended that Kroo should reimburse the £2,000 to Mr P's account with immediate effect and pay a further £100 to Mr P as compensation for the trouble and upset this matter had caused him.

Kroo didn't agree with the view of this complaint put forwards by our investigator, 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.

I issued a provisional decision on this complaint on 11 March 2024 as follows:

I'll be provisionally upholding this complaint in Mr P's favour and instructing Kroo to make a payment of £2,000 to Mr P's account as soon as possible. Kroo can then recover this amount when they locate the missing £2,000 with the receiving bank and

successfully arrange for its return to them.

I make these provisional instructions because it seems clear and obvious to me that the fair outcome here is that Mr P should receive his missing money without further delay – given that he's been without his £2,000 now for nearly nine months, despite the receiving bank making two attempts to return it.

Kroo have argued that they've been unable to accept the return of Mr P's money from the receiving bank for the reasons already explained. And Kroo feel that they've made reasonable attempts to try to engage with the receiving bank to try to recover Mr P's £2,000 via trace requests undertaken in October and November 2023.

But I don't feel that Kroo have done enough to help Mr P as I feel that they reasonably should have done here. For instance, it seems obvious to ask, why haven't Kroo been more proactive in their attempts to contact and liaise with the receiving bank? Why haven't direct emails or phone calls to the receiving bank been made by Kroo? And why hasn't someone at Kroo taken ownership of this situation and ensured that attempts were constantly being made to enable the receiving bank to successfully return Mr P's £2,000 to Kroo?

Had someone at Kroo taken ownership of the situation, and had Kroo as a business shown the level of care and duty towards Mr P's predicament that I feel it's fair to have expected from them, then I feel it's highly likely that this matter would have been resolved – and Mr P's money returned to him – several months ago.

This isn't to say that Kroo have done nothing, and I accept that they've followed a policy here which included providing Mr P with the information that Kroo require from the receiving bank and later contacting the receiving bank, via another third party, following a payment trace.

But, given that Mr P is Kroo's disaffected customer, I feel that the onus was and is fairly on Kroo to resolve this situation for Mr P. And I feel that by following the policy they have, and by not being more proactive in their attempts to assist Mr P, that Kroo should fairly be held responsible for the situation as it presently stands – which, ultimately, is that Mr P doesn't have his £2,000 that the receiving bank first attempted to return to Kroo in June 2023.

Because of this, my provisional instructions to Kroo also include that they must make a payment to Mr P equal to the interest that the £2,000 would have earned had it been in his Kroo account from 1 September 2023 onwards – calculated until the date that Kroo credit the £2,000 to Mr P's account. This is because I feel that Kroo should be considered accountable for the fact that Mr P's money hasn't been able to earn interest during the time it's been missing. And because I feel that the latest date that Mr P's money should reasonably have been returned – or temporarily credited – to him, is the end of August 2023.

Finally, I'll also be provisionally instructing Kroo to make a further payment of £250 to Mr P as compensation for the frustration, worry, and inconvenience that he's incurred here surrounding the continuing unfair absence of his £2,000. And this is because I feel that a significant portion of that frustration, worry, and inconvenience could and should have been avoided – had Kroo acted in a more proactive and customer focussed manner as I feel that they fairly should have here.

Kroo responded to my provisional decision and noted that in February 2024, the receiving bank had attempted to return Mr P's £2,000 again, several months after Kroo declined the last attempted return in August 2023. Kroo also noted that on both occasions, in August 2023 and February 2024, the receiving bank didn't supply the sort code of the account it was trying to return Mr P's money from. And Kroo note that requirement for this sort code is

mandated by the Financial Action Task Force 2012 (Recommendation 16) and the Wire Transfer Regulations 2017 (also known as the Funds Transfer Regulations 2017).

I'd like to confirm at this point that this service isn't a regulatory body or a Court of Law and doesn't operate as such. Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the factors and circumstances of a complaint into consideration.

As such, I'm unable to comment on whether Kroo would have been acting in a lawful and/or regulatory manner by accepting the return of Mr P's £2,000. However, from a more general perspective, I note that the Recommendation 16 and the Funds Transfer Regulations are designed with instances of potential fraud and money laundering in mind. But there is no allegation of suspicion of fraud or money laundering in this instance. Rather, all that is happening is that Mr P is seeking to recover his own £2,000 that he sent to a wrong account.

As such, I'm not convinced that the Recommendation 16 or the Funds Transfer Regulations 2017 should reasonably apply here. And if Kroo did have concerns of the nature they've suggested, I would still have expected them to have been far more proactive in contacting the receiving bank on Mr P's behalf – given that Mr P is Kroo's disaffected customer – and to have engaged with the receiving bank to ensure that Mr P received his money back into his Kroo account within a reasonable timeframe.

For the same reasons, I also don't feel that the fact the Mr P's money was with the receiving bank after Kroo rejected the attempted return in August 2023 is a significant factor here. And to reiterate, this is because I feel that, ultimately, Kroo reasonably could and should have done far more to help Mr P recover the money from the receiving bank than they have, especially given that the receiving bank had tried on multiple occasions to return Mr P's money to Kroo.

Mr P also responded to my provisional decision and said that other than this one issue he's had very satisfactory dealings with Kroo and provided some more information about his general personal circumstances and the impact that this ongoing matter may have had on them. However, having considered the further information provided by Mr P, I continue to feel that the outcome to this complaint I described in my provisional decision remains fair.

All of which means that my final decision here is that I uphold this complaint in Mr P's favour on the basis described in my provisional decision above. I hope that Mr P and Kroo will both understand, given all that I've explained, why I've made the final decision that I have.

Putting things right

Kroo must place a temporary credit of £2,000 in Mr P's account as soon as possible. Kroo can then withdraw this temporary credit from Mr P's account after they've arranged and received the successful return of Mr P's £2,000 from the receiving bank.

Kroo must also make a payment to Mr P's account equal to the interest that his £2,000 would have earned had it been in his Kroo account from 1 September 2023 onwards – calculated until the date that Kroo credit the £2,000 to Mr P's account.

Finally, Kroo must pay £250 compensation to Mr P.

My final decision

My final decision is that I uphold this complaint against Kroo Bank Ltd on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 6 May 2024.

Paul Cooper
Ombudsman