

## The complaint

Mrs A complains that Kroo Bank Ltd (Kroo) is refusing to refund her the amount she lost as the result of a scam.

Mrs A is being represented by a third party. To keep things simple, I will refer to Mrs A throughout my decision.

## What happened

The background of this complaint is well known to all parties, so I won't repeat what happened in detail.

In summary, Mrs A has told us that she received a message request on social media from an ex-colleague asking her to like a charity fundraising page. When Mrs A was looking over the social media page, she found an investment/trading advertisement. Mrs A could see a claim that her ex-colleague had invested £600 which resulted in a profit of over £10,000.

Mrs A's ex-colleague referred her to an individual I will call X. X asked Mrs A to download some software so that she could help walk her through the investment process. X explained that if Mrs A made an investment of £600, she would receive £10,900, and that she could withdraw her funds at any time.

Mrs A was provided with access to what appeared to be a professional trading website and started with an investment of £600 which appeared to make a substantial profit, but Mrs A was then required to make further payments to upgrade her account before a withdrawal could be made.

X even offered to help Mrs A when she was unable to afford the amount that had been requested, but after Mrs A made a payment X gave reasons why she was unable to help, stating that the business would not allow it.

Mrs A questioned X several times after making the payments but eventually X's social media account was suspended.

Mrs A made the following payments in relation to the scam:

<u>Payment</u>	<u>Date</u>	<u>Payee</u>	<u>Payment Method</u>	<u>Amount</u>
1	15 November 2023	Transak.com	Debit Card	£600
2	17 November 2023	Mrs A coinbase	Transfer	£1,000
3	18 November 2023	Mrs A coinbase	Transfer	£2,500
4	19 November 2023	Mrs A coinbase	Transfer	£4,000

Our Investigator considered Mrs A's complaint and didn't think it should be upheld. Mrs A disagreed, so this complaint 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.

It has not been disputed that Mrs A has fallen victim to a cruel scam. The evidence provided by both Mrs A and Kroo sets out what happened. What is in dispute is whether Kroo should refund the money Mrs A lost due to the scam.

### *Recovering the payments Mrs A made*

Mrs A made payments into the scam via her debit card and transfer. When payments are made by card the only recovery option Kroo has is to request a chargeback.

The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. The card scheme operator ultimately helps settle disputes that can't be resolved between the merchant and the cardholder.

Such arbitration is subject to the rules of the scheme, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed. Time limits also apply.

Mrs A was dealing with X, which was the person that instigated the scam. But Mrs A didn't make the debit card payment to X directly, she paid a separate cryptocurrency exchange.

This is important because Kroo would only have been able to process chargeback claims against the merchant she paid, not another party (such as X).

The service provided by the cryptocurrency exchange would have been to convert or facilitate conversion of Mrs A's payments into cryptocurrency. Therefore, it provided the service that was requested; that being the purchase of the cryptocurrency.

The fact that the cryptocurrency was later transferred elsewhere – to the scammer – doesn't give rise to a valid chargeback claim against the merchant Mrs A paid.

When payments are made by transfer Kroo has limited recovery options available to it. Kroo could have asked the operator of the receiving account for a refund of the payments, but Mrs A made the payments to a legitimate business, to an account in her name. So, any funds that remained in that account would remain within Mrs A's control. Mrs A has also confirmed that these payments were forwarded in relation to the scam.

With the above in mind, I don't think Kroo had any reasonable options available to it to seek recovery of the payments Mrs A made in relation to the scam.

### *Should Kroo have reasonably prevented the payments Mrs A made?*

It has been accepted that Mrs A authorised the payments that were made from her account with Kroo, albeit on X's instruction. So, the starting point here is that Mrs A is responsible.

However, banks and other Payment Services Providers (PSPs) do have a duty to protect against the risk of financial loss due to fraud and/or to undertake due diligence on large transactions to guard against money laundering.

The question here is whether Kroo should have been aware of the scam and intervened when Mrs A was making the payments. And if it had intervened, would it have been able to

prevent the scam taking place.

The first three payments Mrs A made in relation to the scam were not of such a significant value that I would have expected them to have caused Kroo to have concerns. However, payment 4 was of a more significant value and was being made to a cryptocurrency exchange. I think Kroo should have had concerns about the payment and intervened.

Considering the knowledge Kroo would have held at the time the payment was made and the increased risk it would have known applied to this type of payment I think an appropriate intervention would have been for it to have provided a tailored written warning to Mrs A before allowing the payment to be processed. But I don't think this type of warning would have made a difference. I will explain why.

Mrs A was providing X with screen shots of the screens she was seeing when setting up accounts and making payments X had requested. When making payments to Coinbase Mrs A received a scam warning that stated:

- *"Only send money to trusted individuals"*
- *"Watch out for unrealistic returns or requests for funds, especially for investment or romantic relationships"*
- *"Sending digital assets out of Coinbase may be irreversible"*

By the time Mrs A received this warning she had invested just £600 and appeared to have made a profit of over £10,000 in just two days, she was also being asked by X to make additional payments before she could withdraw funds that it had previously said she could withdraw at any time.

I think the above should have been red flags for Mrs A and should have caused her concern. However, Mrs A sent X a screenshot of the warning and continued as instructed by X clicking past the screen.

Mrs A also made a payment from an account she held elsewhere to her Kroo account to fund the payments she was making in relation to the scam. When this payment was made a call between Mrs A and her other bank took place. I have listened to a recording of this call.

Mrs A confirmed she was making the payment to another account in her name for daily shopping. This was not correct; Mrs A had given incorrect information.

Given the information above, and that Mrs A sent numerous screenshots to X so that she could walk her through the process of making payments, including a previous warning that X guided her to ignore. I think it's most likely that had Kroo provided a written scam warning to Mrs A she would have provided a screenshot of the screen to X, or at least explained the warning she had received, and X would have guided Mrs A through the screen as she had done previously.

I don't have enough to say that Mrs A would have acted any differently to a written warning than she had done previously.

With the above in mind, I don't think Kroo missed an opportunity to prevent the scam and it is not responsible for Mrs A's loss.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 7 February 2025.

Terry Woodham  
**Ombudsman**