

The complaint

Mr A is unhappy that Kroo Bank Ltd removed money from his account after they were reported as fraudulent.

What happened

Mr A opened an account with Kroo on 15 May 2023. On 16 May 2023 Kroo blocked Mr A's account as it received reports from third party banks that fraudulent funds had been paid into his account. It contacted Mr A to ask for evidence of where and why a payment of £270 had been sent to him on 15 May 2023.

Mr A responded. He said he'd sold cryptocurrency to the sender and confirmed that he had been speaking to the individual that had sent him the money. Over the following days Mr A sent further screen shots from the cryptocurrency trading platform he'd been using to facilitate the transfer, including evidence that he had sent cryptocurrency to the person that had sent him money.

Mr A contacted Kroo several times over the following two months to ask for updates on what was happening with his account and how he could access the money in it. Kroo didn't respond to this contact.

In July 2023 Mr A made a complaint about Kroo's decision to block his account. He also complained that a payment of £163 had been paid to him by a different third party and had not been credited to his account. It was later established that this payment was returned to the sender. Mr A had already agreed directly with the seller the money should be returned so he was happy with this, but was unhappy with the time it took Kroo to return it.

On 15 August 2023 Kroo contacted Mr A to confirm it was closing his account without notice and the money held in it - £358.69 - would be returned to the sending accounts. On the same day, it responded to Mr A's complaint. It explained it's decision to block and close the account and return the money was the correct one.

Our investigator considered things. They were satisfied Kroo had acted fairly in blocking the account and they couldn't see there had been any unnecessary delays in its investigation. They also felt it had acted fairly in closing the account. But, they didn't feel the terms and conditions allowed it to return the funds in the account to the senders. They asked Kroo to reimburse Mr A for the funds.

Kroo didn't accept the investigator's findings, so the complaint has been passed to me to make a 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.

Was Kroo acting fairly in blocking the account?

Banks and financial businesses have important legal and regulatory obligations they must meet when providing accounts to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. It's common industry practice for businesses to restrict access to an account to conduct a review on a customer and/or the activity on an account.

Kroo received information that caused it to suspect Mr A had received fraudulent funds into his account. And having reviewed the information and the terms of the account, as well as other relevant regulations, I'm satisfied it was acting reasonably in restricting the account while it carried out an investigation.

I can see Kroo was contacted by a third party bank with reports that a payment Mr A received was disputed – the credit of £270 to the account on 15 May 2023. And it's right it should treat that seriously and it's reasonable it carried out a review in response to this. I also think it's reasonable that it contacted Mr A to ask for further information about the payment in question to find out more about Mr A's involvement.

I can see Mr A did provide this information to Kroo in the following days. But whilst Kroo has indicated it was carrying out a further investigation in the background, it's not clear what it was doing between 16 May 2023 and 15 August 2023. We've asked it about this and it's not provided any evidence to support what investigation was being carried out.

From what I've seen, the last piece of information requested from Mr A was on 23 May 2023 and Mr A provided this the same day. So even taking into account that Kroo wouldn't have been able to review this information immediately, it's not clear what further investigation was being carried out from 23 May 2023 when it received the last piece of information it requested, and 15 August 2023 when it made the decision to close the account.

So, based on what I've seen it appears there were avoidable delays when Kroo was reviewing the account. The account always would've been closed at the end of Kroo's review, so I don't think this delay had an impact on whether or not Mr A could use the account. But it does mean Mr A's money ought reasonably to have been returned to him sooner and would've contributed to the distress and inconvenience he suffered while he was waiting to hear what would happen to his money.

Was Kroo acting fairly in closing the account?

Banks and financial businesses are entitled to end their business relationship with a customer, as long as this is done fairly, doesn't breach law or regulations and is in keeping with the terms and conditions. And, in this instance the terms of Mr A's account say that in certain instances Kroo can close the accounts with immediate notice and it doesn't have to provide a reason for doing so.

Kroo have relied on the terms and conditions when closing Mr A's account and, it has provided supporting evidence to show why the terms and conditions it's relied on are applicable in this case. Having reviewed this information, I'm satisfied it has acted fairly in closing Mr A's account without notice.

Was Kroo acting fairly in returning the money in the account to the senders?

Whilst I accept Kroo was contact by third party banks in relation to two of the payments made to Mr A's account, fraud reports or indemnities don't create specific obligations to return any funds. The best practice standards say they should be returned, subject to several caveats such as if the recipient can demonstrate they have a credible claim to the funds. So it would be reasonable for Kroo to discuss that with Mr A first, and if he did have a

credible claim then Kroo could reasonably choose not to return the funds, especially if it's likely to leave Mr A in a worse position.

Mr A has provided our service with an explanation for the source of the funds and evidence that he sold cryptocurrency. He's also provided evidence that he communicated with each of the individuals that sent the funds to his account and that the names they were using matched the names on the accounts the funds came from. And he's shown that he was buying and then selling the cryptocurrency for a profit, supporting his reason for doing so.

Nothing I've seen in the information provided by Kroo suggests he was engaging in a scam, and I don't think Kroo has been able to provide adequate reason for its belief this is the case either. Based on the information available I don't think there is sufficient evidence in this case to indicate Mr A was likely engaging in fraudulent activity.

Kroo has said that it doesn't accept the evidence Mr A has provided because the screenshots from the cryptocurrency trading platform don't show it's his account. But Mr A clearly has access to it. And it shows that the individuals he's discussing selling cryptocurrency to are the same individuals that paid money into his Kroo account. So on balance I think it likely is his account.

Kroo has also said the evidence doesn't show what service has been agreed. But it doesn't appear Mr A is selling a service, he's selling goods – the cryptocurrency he's transferred to the buyers that have sent him money. And the evidence he's provided demonstrates this.

I've reviewed the terms and conditions that were in force at the time of the transactions and I haven't seen any provision that allows it to return funds to source in the circumstances I've outlined here.

There is a provision for returning funds if someone pays in money by "mistake" – but in this case there doesn't appear to have been a mistake. The funds have been paid to Mr A deliberately – the reports received from the third party banks confirm the sending parties intended to send the funds to Mr A, albeit as part of a scam he seemingly wasn't involved in. So I can't see that under the terms of the account Kroo can decide to remove funds from his account.

I don't believe Kroo was acting fairly and reasonably in removing the funds from Mr A's account. It should return the funds to him. In addition, it should pay 8% interest on this amount from the date its investigation reasonably ought to have concluded to the date of settlement to reflect that he's been deprived of funds that he's entitled to.

It's not clear exactly when Kroo's investigation would've ended. As I've explained above, we've asked it for more information about

I also think it would've been worrying and frustrating for Mr A to have the funds withheld from him and I've taken this into account when considering what amount of compensation would be fair and reasonable in this case overall.

Putting things right

Kroo should:

- Refund Mr A the funds it returned to the sending banks (from what I can see this was £358.69)
- Add 8% simple interest per annum to this amount from 23 May 2023 – to the date of

settlement

- Pay Mr A £100 compensation for the reasons given

If Kroo Bank Ltd considers that HM Revenue & Customs require income tax to be deducted from the interest award above, they should tell Mr A how much has been deducted and provide with a certificate showing this, so he can reclaim the tax if eligible.

My final decision

I uphold this complaint and direct Kroo Bank Ltd to pay the redress outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 13 February 2025.

Faye Brownhill

Ombudsman