

The complaint

Miss D complains that Kroo Bank Ltd ('Kroo') blocked her account without explaining why. She wants access to the funds she has in it.

What happened

Miss D said she opened an account with Kroo to use for playing online games. She said she played a game and won £16 but when she tried to withdraw it, she realised that Kroo had frozen her account. She contacted Kroo a number of times asking for updates, but Kroo wasn't able to provide any.

Kroo said it froze the account in September 2023 in order to conduct a review and that this was in line with its terms and conditions.

Miss D wasn't happy about this and complained in November 2023. Kroo responded to her complaint in December 2023, but it didn't uphold it. It said that under its terms and conditions it is able to freeze or restrict an account for a number of reasons. It said its investigation was ongoing and that it would be in touch with Miss D as soon as possible.

In the meantime, Miss D brought her complaint to us. She said she wanted access to her funds and to know why her account was blocked.

One of our investigators reviewed the complaint and thought that Kroo should return Miss D's funds which came to £16.29 plus £30 compensation for the distress and inconvenience it caused her. Our investigator didn't think Kroo had provided enough information for him to say that it had acted fairly and reasonably in the circumstances.

Miss D accepted our investigator's view but Kroo didn't. It provided some further information regarding its decision to block the account and said that it had since decided to close it with immediate effect. It said it wrote to Miss D in March 2024 to let her know and that it was in the process of returning her remaining balance of £16.37 to her.

Our investigator considered Kroo's further information but he didn't change his view. He said Kroo had failed to provide evidence in support of its decision to review the account.

Kroo didn't agree and asked for an ombudsman's decision. It said it was acting in line with its legal and regulatory obligations in taking the action it did.

The matter was then 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 might be helpful if I explain that our service doesn't punish or fine businesses, and it's also not our place to say that a procedure the business follows is incorrect. Only the industry regulator, the Financial Conduct Authority (FCA), can do this. As our investigator said, Kroo has important legal and regulatory responsibilities to meet when providing accounts to customers. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarised as a responsibility to know its customers, monitor accounts, verify the source and purpose of the funds as well as detect and prevent financial harm.

Kroo will review accounts to comply with these responsibilities. It's common practice for banks and other financial service providers to restrict access to accounts to conduct a review- doing so helps prevent potential financial loss or other harm that could otherwise result. Kroo's terms and conditions also enable it to block accounts in certain circumstances.

I understand that Miss D wants Kroo to explain the reason it applied the block to her account. But Kroo doesn't disclose to its customers what triggers a review of their accounts. It's under no obligation to tell Miss D the reasons behind the review as much as she'd like to know. So, I can't say it's done anything wrong by not giving Miss D this information. And it wouldn't be appropriate for me to require it to do so.

However, Kroo needs to provide information to this service so we can fairly decide a complaint. Despite being asked by the investigator, Kroo has failed to provide evidence in support of its decision to block Miss D's account. This service has the power to request evidence of this nature under the dispute resolution rules (DISP) and I'm not persuaded that Kroo should be excluded from complying with these rules on this occasion. So, in this particular case, because of the lack of information and evidence I can't be satisfied that Kroo has treated Miss D fairly when it blocked her account. Taking this into account I agree with the investigator that Kroo must pay Miss D compensation for the distress and inconvenience she was caused by the blocking of her account.

Miss D's account has around £16 in it. Miss D has told us that this wasn't her main account. The account was blocked in September 2023 and closed in March 2024. Miss D got in touch with Kroo over the months that followed the account block, but Kroo wasn't able to provide her with any updates. I appreciate she would have found this really frustrating. Overall, I think the £30 awarded by our investigator is fair and reasonable bearing in mind Miss D had access to other bank accounts and that her balance in this account was quite low. Miss D also said she'd only just started using her Kroo account when it got blocked.

As I said above, Kroo hasn't provided evidence in support of its decision to block the account or to explain why the review took so long. It provided some reasons which I can't share here because they were shared with us in confidence, but it failed to provide any evidence to support them. So even if I did think it had valid reasons to block the account, I wouldn't have

been able to verify them due to the lack of supporting evidence. It follows that I don't think its decision to block the account for such a long period of time or at all was fair and reasonable. So, I think Miss D should have had access to her funds. Kroo has already agreed to return Miss D's remaining funds to her. I think this is fair and reasonable. I did consider whether interest should be added to the funds but as it is such a low amount, I thought it was fair to include this as part of the trouble and upset award I made above.

The decision to close Miss D's account was taken after the complaint came to us so I haven't considered it as part of this decision. If Miss D is unhappy about the closure of her account, she can raise a separate complaint with Kroo which she can thereafter bring to us if she is unhappy with Kroo's response.

My final decision

For the reasons above, I have decided to uphold this complaint. Kroo Bank Ltd must pay Miss D £30 for the distress and inconvenience she was caused by her account being blocked. It must also return her remaining funds to her if it hasn't done so already.

Kroo Bank Ltd must pay the compensation within 28 days of the date on which we tell it Miss D accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

If Kroo Bank Ltd considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss D how much it's taken off. It should also give Miss D a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 27 August 2024.

Anastasia Serdari
Ombudsman