

The complaint

Ms R complains that Kroo Bank Ltd ('Kroo') should pay more compensation after it provided her with poor customer service when a direct debit payment ('DD') she'd set up to pay her credit card failed to go through.

What happened

22 November 2023 - a four figure DD payment from Ms R's Kroo account failed.

7 December 2023 – Ms R contacted Kroo about the failed DD. She queried where her money was.

12 December 2023 – Kroo returned the failed transfer funds into Ms R's account.

Kroo admitted there had been shortcomings in the service it provided to Ms R saying that the DD wasn't taken because Ms R had set up the DD instruction too close to the payment date. This meant there hadn't been enough time for the DD to be fully put in place. But Kroo admitted that an error on its part meant there was a delay returning Ms R's money to her account. So Kroo upheld this part of Ms R's complaint and paid Ms R, as follows:

- £20.90 - which it calculated was the amount of interest Ms R would have earned had the funds been returned to her account straightaway
- £12 – to cover the late payment charge Ms R incurred on her credit card
- £100 – in recognition of the time taken and trouble and upset this situation had caused Ms R.

Ms R brought her complaint to us and our investigator agreed that Kroo should do more to put things right. The investigator thought a fair outcome would be for Kroo also to refund Ms R the interest she'd incurred on her credit card from the date Ms R should've received her funds (had it not been for Kroo's error) to 12 December 2023 when Ms R could've brought her account up to date.

Ms R would accept this resolution but Kroo hasn't said whether it agrees with the investigator's view. So the complaint has come 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.

The background facts are broadly agreed – there doesn't seem to be any particular dispute about what happened. Ms R incurred extra costs and interest when a DD wasn't taken from her Kroo account. This seems to have happened because Ms R didn't set up the DD in time for it to happen on 22 November 2023.

It showed on her bank statement as a DD payment which would reduce the balance on her account, so I can understand why Ms R didn't realise there was a problem with the payment. But the statement reflected the DD instructions Ms R had set up on her Kroo account – this didn't guarantee that the credit card merchant had successfully collected or received payment.

There's information about setting up DDs available on Kroo's website, as follows.

'My Direct Debit hasn't been set up.'

In the first instance, you'll need to contact the company or service provider to confirm if the Direct Debit instruction has been created.

If they confirm it's been set up on their side, but you can't see it in your Kroo app, please allow an additional 2-3 days for this to appear in the app. Please note that some merchants process Direct Debits in batches, which means your payment may be processed with a small delay.'

Given that this was a new DD instruction and Ms R wanted to make a substantial payment, I think the onus was on Ms R to contact the credit card merchant, as prompted by Kroo. She could've checked that all the necessary arrangements were in place to enable it to take the DD payment she had instructed. Had she done so, I think it's likely she would've been told that she needed to allow at least two clear days before the planned collection date. This could've alerted her to make a one-off manual payment to avoid any risk of missing the payment date. I'm not saying that what happened was Ms R's fault. But I must be fair to both sides. The ombudsman approach to redress is to also take into account what Ms R could have done differently, and we expect consumers to take reasonable steps themselves to limit the impact of things going wrong.

Here, especially bearing in mind that Kroo included advice on its website to customers in Ms R's situation, I can't fairly hold Kroo responsible for the DD not going through.

But Kroo has already upheld Ms R's complaint about what happened afterwards. Kroo has admitted that the length of time taken to return the failed payment to Ms R's account exceeded its usual timescales. It said '...the lack of responses displayed a level of service that we are less than proud of. We acknowledge that you did not feel supported during this period. Taking all of this into consideration, we acknowledge that due to our lack of responses this caused further delays and uncertainty that could have been avoided.'

I think that's a fair assessment of what went wrong here, so the issue I have to decide is whether Kroo has done enough to put things right. Ms R would also like Kroo to cover additional interest charges incurred on her credit card as a result of her missing the intended payment date.

I need to consider what the impact on Ms R has been as a result of Kroo's error and delay. And when thinking about what redress is fair and reasonable, it's important to keep in mind that the ombudsman approach is to try to put Ms R back into the position she would've been in but for Kroo's admitted poor service.

I've taken into account the £12 payment Kroo made in respect of the late penalty charge applied to Ms R's credit card account and the £20.90 paid to cover 19 days delay crediting the failed payment back to Ms R's Kroo account.

It can't be known with certainty what Ms R would have done in other circumstances, but I am required to make my decision based on the balance of probabilities – that is, what's more likely than not to have happened based on the evidence that's available to me. Had Kroo made the payment back to Ms R when it should have done and not delayed for 19 days. I think it's likely that Ms R might have been prompted to resend the failed payment straightaway to the credit card merchant. I'm aware that in the event she actually waited until the next due date before sending payment. But I think it's likely that by the time Kroo identified and corrected its error, she might have thought it simpler by then to wait for the next statement.

I don't consider Kroo is liable for the full amount this has left her out of pocket., in terms of extra interest charges. But I think it's fair to expect Kroo to work out and pay Ms R an amount to reflect the credit card interest she incurred during the 19 days Kroo delayed moving her money from its suspense account and back into Ms R's account.

This seems to me a broadly fair way to provide redress in these particular circumstances to avoid Ms R having to bear any of the costs incurred as a result of Kroo's error and delay.

I can see how Kroo's handling of matters caused Ms R significant distress and was upsetting. All in all, I think the £100 payment Kroo has made in respect of non-financial loss is fair compensation. Kroo has paid an amount that is in line with the level of award I consider fair to reflect the extent and impact on Ms R of the service failings on Kroo's part.

Putting things right

Kroo should:

- calculate and pay Ms R an amount to reflect the credit card interest she incurred during the 19 days Kroo delayed moving her money from its suspense account and back into Ms R's account, and
- set out its workings in a way that's understandable to Ms R showing how it has calculated this figure.

I understand that Kroo already has copies of Ms R's relevant credit card statements – if not, it can ask us or Ms R to provide further copies.

My final decision

For the reasons set out, my final decision is that I uphold this complaint and direct Kroo Bank Ltd to take the steps set out to put things right for Ms R.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 16 September 2024.

Susan Webb
Ombudsman