

The complaint

Mr F is unhappy that Kroo Bank Ltd has declined to refund disputed transactions that were made from his account.

What happened

In January 2023, whilst Mr F was on holiday in Colombia, he says he was drugged and his mobile phone and passport were stolen. The stolen mobile phone was used to make Apple Pay transactions from Mr F's account totalling over £14,000.

When Mr F discovered the transactions, he says he contacted Kroo to report them as unauthorised and asked it to refund the money. But the bank didn't think it was liable for his loss. Unhappy with this, Mr F raised a complaint with Kroo. He was unhappy with the way the bank had handled his fraud claim, and its decision to hold him liable for the transactions.

Kroo said:

- The questions it asked Mr F as part of its fraud investigation were to develop a timeline/series of events and to gather further information.
- It was sorry Mr F felt the level of service it provided was not to the standard he expected.
- The length of time it took to conclude its fraud investigation was reasonable and in line with industry standards.
- The bank's decision to hold Mr F liable for the disputed transactions was correct, and no refund would be provided.

Mr F remained unhappy and referred a complaint to this service where it was considered by one of our investigators. He didn't believe that Mr F had authorised the disputed transactions, nor did he believe that Mr F had acted with gross negligence which enabled the transactions to take place. As such, he felt that Kroo should refund the disputed transactions to Mr F, along with appropriate interest.

Mr F was happy with our investigators view, but Kroo didn't respond by the deadline we set. And despite many chasers to the bank, it still didn't respond. So the complaint was 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.

Since the complaint was passed to me, we've had a response from Kroo. It said that after considering our investigator's findings, as well as the evidence it has available, it will agree with the recommendations he made.

But, it said it would issue a refund to Mr F after it receives an ombudsman's final decision.

As both Mr F and Kroo have agreed to our investigator's recommendations, I don't intend to go into too much detail in this decision. However, I will say that the regulations relevant to this case say that generally speaking, a bank is entitled to hold a customer liable for authorised transactions, and a bank should refund transactions that were unauthorised by its account holder.

In this case, it doesn't appear to be disputed by any party that Mr F's mobile phone was stolen. Kroo's initial decision to hold Mr F liable for the transactions centred around a lack of understanding as to how Mr F's phone security could've been bypassed by an unknown third party. And then for them to go on and make disputed transactions via Apple Pay.

Mr F himself says he's unsure how this was possible, as he didn't think his mobile phone was unlocked when it was stolen. But, in support of his complaint, Mr F provided the following:

- Evidence that he reported the theft to the Colombian Police,
- Evidence of obtaining a temporary passport from the UK Embassy so he could return home to the UK,
- Evidence of a replacement mobile phone following a successful insurance claim, and,
- Details of disputed transactions using his cards with other financial providers, and evidence that he was refunded for those.

I find the above adds credibility to Mr F's position that his mobile phone and passport were stolen, and his Kroo account accessed after this. On balance, I find that the disputed transactions were carried out by an unauthorised individual. While it's unclear how exactly his phone security was bypassed, I've seen nothing compelling that this was because of any deliberate action or negligence by Mr F.

As such, Kroo should refund Mr F the value of the disputed transactions. I note our investigator also recommended that Kroo adds 8% simple interest per annum to this amount, from the date of the transactions to the date of settlement.

I find this is a reasonable way to resolve this complaint. And I'm pleased that both parties have agreed that this is a fair outcome.

Putting things right

Kroo Bank Ltd should therefore:

- Refund Mr F's account the full value of the disputed transactions,
- Pay 8% simple interest, from the date of each transaction to the date of settlement*.

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

My final decision

My final decision is that I uphold this complaint and direct Kroo Bank Plc to settle it as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 7 May 2025.

Lorna Wall
Ombudsman