

The complaint

Mr D complained because Kroo Bank Ltd refused to refund him for transactions he said he hadn't authorised.

What happened

Mr D opened a new Kroo account on 27 April 2023. He was expecting some compensation payments, which would be paid in stages. He opened the account with £50, and over the next few months added a further £20,000.

On 11 January 2024, Mr D saw there had been 19 debits to his account in one day. He contacted Kroo. Some of the payments, to a betting firm, were pending. Mr D asked Kroo how the payments could have happened, and asked what security was in place, because he said he hadn't received any phone call, or request to approve any of the transactions either in app or by one-time passcode (OTP). Kroo told Mr D he had to wait for the betting firm to reverse the payments.

Mr D was concerned about what had happened and Kroo's reply, so he moved the rest of his balance to his account with another bank.

There were more attempted transactions on Mr D's account between 11 and 15 January, which didn't go through because he'd moved his money. On 19 January the returned money from the betting company credited his account, and he immediately moved it out to his account with another bank.

Mr D said Kroo assured him that investigations were ongoing and it was taking the issue seriously. So on 18 February, Mr D put £500 into his Kroo account. He'd also received the next instalment of his compensation payment, so on 20 February he paid another £25,000 into his Kroo account.

On 28 February, there were more attempted withdrawals on Mr D's account. They showed an address abroad. Three were debited from Mr D's account and the total of these, in the sterling equivalent, was £1,459.16. The fourth payment was declined.

Mr D reported the fraudulent attempts immediately, at 10.44am. He also moved out the rest of his money. But he didn't get a reply to his chat messages until 13.16pm. The reply just said the relevant team was looking into it and would be in touch when it could.

It was 3 March before Kroo replied. It said it had cancelled and re-ordered Mr D's debit card and had taken additional steps so no further transactions could be made. It said the replacement card would be with him within three to five working days. But it said that to investigate it would need more information, and said Mr D would need to complete a dispute form. Mr D chased several times for a response.

Kroo didn't agree to refund Mr D. Mr D asked Kroo for a final response to his complaint, saying he was unhappy with the outcome and also unhappy with the security of the account, as Kroo hadn't contacted him or protected him from fraudulent transactions.

On 31 May, Kroo sent Mr D its final response. This said :

'After an extensive review, we decided not to refund the disputed transactions. The decision was based on the information you provided, transaction reviews, internal system evidence and industry regulations.

...our colleagues have followed the correct process. The investigation was conducted with great care and diligence. We explored multiple avenues and utilised multiple information sources before reaching our conclusion.

...We note that your feelings towards the outcome may have been negative and as previously mentioned, we have now resolved the issue you have faced.'

Mr D wasn't satisfied and contacted this service.

Mr D set out what had happened, and sent us copies of his chats with Kroo and his statements. He said that he'd never given his card details to anyone, or allowed anyone access to his card. He hadn't had any phone or other conversation with anyone about his Kroo account details. He'd never given anyone any OTP he may have received. He said he did have a mobile payment service on his phone, but his phone had face recognition to access it, and he also used the authenticator app.

Mr D said that if he buys anything online, he has to open his app and approve the transaction. The same thing happens if he buys something through an online payment service, he gets a choice of using authenticator or other means of identity check even for a small amount. So he asked how come Kroo had nothing in place for checking.

Our investigator asked Kroo for its side of the story, and listed all the information she needed. But Kroo didn't send any of the requested information, or send any reply at all.

The investigator upheld Mr D's complaint. She looked at how the disputed transactions had been made. The statement showed a distant country abroad, and had been completed in that country's currency, not in sterling. The statements also showed they'd been completed using a mobile payment service, so wouldn't have needed the physical card or PIN. But it would have needed Mr D's card details added to his phone wallet. Mr D had added that to his phone wallet, but couldn't remember when. But as Kroo hadn't provided any of the requested information, the investigator couldn't know for certain what device had been used or at what location they'd been made.

Mr D had sent a screenshot of a OTP received on 5 January, but had said he hadn't given anyone that code and hadn't seen it at the time. Kroo hadn't sent the investigator any information to show that OTP had been used to add Mr D's card to the mobile payment service, or what authorisation would have been needed via the Kroo app to add the card to the mobile payment service. The investigator noted that the declined January transactions to various merchants had taken place soon after the OTP to add Mr D's card to the mobile payment service.

The investigator also looked at the bank statements which Mr D had provided. These showed that he'd used the card from his other bank, in the UK, on both 27 February and 29 February. So this suggested Mr D had been in the UK on both days either side of the disputed mobile payment service payments on 28th. The statements indicated that the payments appeared to have been made abroad – so it wasn't likely Mr D had authorised the payments using the mobile payment service.

So the investigator said she wasn't persuaded that Mr D had authorised the disputed payments. She said Kroo had acted incorrectly by not refunding him without proper evidence showing the payments had been authorised.

After the investigator issued her view upholding Mr D's complaint, Kroo replied. It sent us chat history; Mr D's online banking activity which showed all in-app activity was completed in this country; its final response letter; and Mr D's statements. But it didn't send any of the dozen or so other pieces of information which the investigator had requested at the start of her investigation.

So the investigator said that this didn't change her view. She also pointed out that the online banking activity sent by Kroo wasn't relevant, because the disputed transactions had been made by mobile payment service and hadn't needed banking access.

As Kroo didn't reply further, Mr D's complaint was passed to me for an ombudsman's final 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.

First, I realise that Mr D repeatedly complained that Kroo's procedures lacked security, enabling the disputed transactions to happen. I understand his frustration, but it's the role of the Regulator, the Financial Conduct Authority (FCA) to consider a bank's procedures. It's not for this service to consider, so I can't comment on that in this decision. So I've focused on the disputed transactions which Kroo refused to refund.

There are Regulations which govern disputed transactions. The relevant regulations here are the Payment Services Regulations 2017. In general terms, the bank is liable if the customer didn't authorise the payments, and the customer is liable if they did authorise them.

In particular, Section 75 of these Regulations says:

" Evidence on authentication and execution of payment transactions

75.—(1) Where a payment service user—

(a)denies having authorised an executed payment transaction; or

(b)claims that a payment transaction has not been correctly executed,

it is for the payment service provider to prove that the payment transaction was authenticated, accurately recorded, entered in the payment service provider's accounts and not affected by a technical breakdown or some other deficiency in the service provided by the payment service provider. "

Here, Mr D denied having authorised the three payments on 28 February totalling £1,459.16. So Kroo needed to prove the factors above. These comprise "authentication" which is the technical part, a procedure to show that payments are made by the genuine consumer or someone acting on their behalf. Kroo hasn't provided this service with this essential information.

I've gone on to consider whether it's more likely than not that it was Mr D, or a fraudulent third party unknown to him, who carried out the disputed transactions.

Usually, the technical evidence gives helpful information which informs my decision about who is most likely to have carried out disputed transactions. But here, Kroo hasn't provided any of the usual technical evidence which we requested. And its final response letter to Mr D, some of which I've quoted above, gives no clue as to Kroo's reasons for declining Mr D's

claim. It just says Kroo was right, without any explanation. While I appreciate that reasons may sometimes be technical and/or confidential, nor did Kroo inform this service about its reasons.

So I've relied on Mr D's evidence: both the documentary evidence he sent us, and what he's told us.

Mr D told us that he's never given anyone his card details, or allowed access to them. He hadn't been tricked into making payments, or given anyone a OTP. And although he sent us a screenshot of a OTP in around February 2024, he said he hadn't passed that on. He also told us that he keeps his bank cards with him. He said he hasn't written down his card details, passwords or PINs. In any case, these transactions were carried out using the mobile payment service, so the physical card and PIN wouldn't have been needed.

Transactions don't always take place in the location given on a bank statement. For example, an organisation's head office might be what appears on a bank statement. But Kroo hasn't provided any information to show where the disputed transactions took place. So I'll assume they took place in the country abroad which appears on Mr D's statements. And as Mr D's other bank statements show he was in the UK on both 27 and 29 February, I find it was most unlikely he'd have been in the distant country abroad on 28 February, when the transactions were carried out.

So I find that it's most likely that Mr D didn't carry out the disputed transactions, and Kroo must refund him, with interest.

My final decision

My final decision is that I uphold this complaint.

I order Kroo Bank Ltd to pay Mr D:

- £1,459.16 to refund the disputed transactions made on 28 February 2024; and
- Interest at 8% from 28 February 2024 to the date of settlement.

If Kroo deducts tax from the interest on the award, it should provide Mr D with a tax deduction certificate to show how much it has deducted, in order to allow him to reclaim the tax from HMRC if appropriate to his personal circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 3 February 2025.

Belinda Knight
Ombudsman