

The complaint

Mr F complains that Kroo Bank Ltd ('Kroo') unfairly restricted his account and held onto funds.

What happened

Mr F opened a personal current account with Kroo on 4 March 2024. On 9 July 2024 Kroo reviewed Mr F's account and placed restrictions on Mr K's access to the account. Kroo asked Mr F for details about the account usage and source of funds.

Mr F raised a formal complaint about the handling of his account on 12 July 2024. Kroo replied, explaining that it had imposed restrictions in line with the account term and conditions. Kroo continued to restrict the account and hold onto the account balance of £308.13, explaining it would update Mr F when it had further information.

Unhappy with the response issued by Kroo, Mr F referred his complaint to our service. One of our investigators reviewed the complaint and in summary recommended:

- Kroo return the funds it has held onto as it hasn't provided sufficient evidence to show it had withheld these fairly.
- Apply 8% interest simple to the funds from the date of restriction to the date the funds are released.
- Pay Mr F £300 in compensation for the poor service provided and the distress and inconvenience caused to Mr F.

Mr F accepted the recommended findings. Kroo didn't respond, so the complaint has been referred to me for a 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.

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 Mr F wants Kroo to explain the reason it applied the block to his account. But Kroo doesn't disclose to its customers what triggers a review of their accounts. It's under no obligation to tell Mr F the reasons behind the review as much as he'd like to

know. So, I can't say it's done anything wrong by not giving Mr F 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 Mr F'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. Even if Kroo did have fair and reasonable grounds for blocking the account, the lack of information and evidence from Kroo means I can't be satisfied of this. This in turn means that I can't be persuaded that Kroo has treated Mr F fairly by continuing to block and withhold his funds.

Taking this into account I agree with the investigator that Kroo must pay Mr F compensation. Since the Investigator has issued their opinion Mr F has explained Kroo has been in touch with him regarding the return of his funds. As Mr F has been deprived off access to his funds, and I can't be satisfied this was fair or reasonable, I think it would be appropriate to apply 8% simple interest to the account balance of £308.13 until the date the funds are returned.

Mr F says that he is a victim of discrimination by Kroo, as he believes the bank have treated him poorly due to his mental health. Mr F says he should be compensated for this. While I can appreciate this is his perspective, it is not my role to decide whether discrimination has taken place – only the courts have the power to decide this. I have, however, considered the relevant law in relation to what Mr M has said when deciding what I think is the fair and reasonable outcome. Part of this has meant considering the provisions of The Equality Act 2010 (The Act). And after looking at the available evidence, which as Mr F is aware is limited, I've not seen anything to suggest that Mr F was treated differently because of his personal circumstances.

However, although I don't find there is evidence to show Mr F was discriminated against by Kroo, I do agree that Kroo has treated Mr F unfairly. Mr F should be paid compensation for the impact of Kroo's poor handling of his account. I can see Mr F has provided detailed of the impact the account restriction had on him at what was a difficult time with his health. Given the lack of clear rationale for the block I'm not persuaded Kroo treated Mr F reasonably by restricting his account and causing him distress and inconvenience. I think £300 fairly reflects the impact on Mr F.

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

Putting things right

Kroo Bank Ltd should put things right as outlined below:

- Pay Mr F 8% simple interest on the balance within his account from the date of restriction to the date Mr F receives the funds.*
- Pay Mr F £300 in recognition of the distress and inconvenience caused to him by its actions.

*If Kroo Bank Ltd 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 she asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I uphold this complaint. Kroo Bank Ltd should now put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 30 December 2024.

Chandni Green
Ombudsman