

## **The complaint**

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

## **What happened**

Mr B had a personal current account with Kroo.

On 1 May 2024 Kroo reviewed Mr B's account and placed restrictions on Mr K's access to the account. Kroo asked Mr B for details about the account usage and source of funds.

Mr B 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 just over £1,500 explaining it would update Mr B when it had further information.

Unhappy with the response issued by Kroo, Mr B brought 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.

Mr B accepted the recommended findings. And let us know that he'd received his account balance back in mid-December 2024. 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.

I want to make it clear that I understand why what happened concerned Mr B. I've no doubt it would've come as quite a shock to him, and he would've been very worried to find out that his account had been blocked. But I've also considered the basis for Kroo's review and decision to block Mr B's account when deciding whether Kroo treated him fairly.

Kroo had been contacted by another bank who told them, Mr B had received fraudulent funds into his account. Based on this I'm satisfied that Kroo's decision to block Mr B's account was therefore legitimate and in line with its legal and regulatory obligations. Doing so also enabled Kroo to consider how best to react to the information it had received from the sending bank about the money that had been paid into Mr B's account. The terms and conditions of Mr B's account also make provision for Kroo to review and suspend an account.

Mr B has explained that he had fallen victim to an elaborate scam and had received money into his account, which he then sent on elsewhere. Having looked at all the evidence, and circumstances I'm satisfied that Kroo have acted in line with the terms when it blocked Mr B's account. And that it acted fairly when it decided to block the account.

Whilst Kroo is entitled to block and review a customer's account, I'd expect them to do so in timely manner. Mr B's account was blocked from 1 May 2024, but Kroo didn't unblock the account and release Mr B's funds until mid-December 2024, which, is a long time.

I can see that Mr B had provided all the information he could by mid-May 2024, and carried on communicating with Kroo throughout June 2024 about the activity on his account, so I think it's reasonable to conclude that Kroo could have completed its review by 1 July 2024, since Kroo stopped communicating with Mr B after this time. So, it's not clear to me why it took until mid-December 2024, for Kroo to remove the block from Mr B's account. With this in mind, I'm satisfied that there have been delays during the review process. And that as a result Mr B was caused deprived of the funds in his account for longer than necessary.

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 B's account for as long as it did. 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. Given the lack of clear rationale for the length of time the block was in place, 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 that Kroo has treated Mr B fairly by continuing to block and withhold his funds for as long as it did.

Mr B has explained that being deprived of his funds for so long led to him struggling financially to pay his bills and couldn't pay for a holiday with his children. Taking this into account I agree with the investigator that Kroo must pay Mr B compensation. Since the Investigator has issued their opinion Mr B has explained Kroo has been in touch with him about returning his funds. But as Mr B has been deprived of 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 from 1 July 2024, until the date the funds were returned.

## **My final decision**

For the reasons I've explained, my final decision is that I uphold Mr B's complaint.

To put things right Kroo Bank Ltd should do the following:

- If it hasn't already done so, return Mr B's account balance back to him.

- Pay P 8% simple interest for loss of use of Mr B's account balance from 1 July 2024 up until when the funds are returned to Mr B.

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

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

Sharon Kerrison  
**Ombudsman**