

The complaint

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

What happened

Mr B opened a personal account with Kroo in March 2024. Mr B says he used his account for everyday spending and trading in cryptocurrencies.

In May 2024 Kroo reviewed Mr B's account and placed restrictions on Mr B's access to the account. At the time the balance of Mr B's account was just under £2,000.

Kroo contacted Mr B and asked him to provide information about his income, how he was using his account and certain transactions. Mr B responded and sent Kroo the requested information. Whilst it reviewed the information Mr B had provided Kroo restricted Mr B's account.

Following its review Kroo decided to close Mr B's account immediately. And asked him to provide details of an alternative bank account so that it could return Mr B's funds to him.

Mr B raised a formal complaint about the handling of his account. Kroo replied, explaining that it had imposed restrictions and closed the account in line with the account term and conditions. Kroo continued to hold onto the account balance.

Unhappy with the response issued by Kroo, Mr B referred his complaint to our service.

One of our investigators reviewed the complaint and in summary recommended:

- Apply 8% interest simple to the funds from the 15 August 2024 to the date the funds are released.
- Pay Mr B £100 in compensation for the poor service provided and the distress and inconvenience caused to Mr B.

Mr B accepted the recommended findings and said that Kroo had returned his account balance to him in February 2025.

Kroo said it was still looking into things but didn't provide much detail. 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. Sometimes following a review, a bank or financial business will decide to close an account.

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.

Having looked at all the evidence, which includes how Mr B was using his account, I'm satisfied that Kroo's decision to block Mr B's account was legitimate and in line with its legal and regulatory obligations. The terms and conditions of Mr B's account also make provision for Kroo to review and suspend an account. So, I can't say Kroo treated Mr B unfairly when it decided to block the account and carry out a review.

Mr B wants Kroo to explain the reason it blocked and closed his accounts. Mr B has said he has ongoing health issues and needed access to the money in his account to pay for essential medication. So, I can understand why he found this whole experience with Kroo frustrating – especially as his attempts to get information from Kroo about what was happening didn't give him any answers. But Kroo doesn't disclose to its customers' what triggers a review of their accounts. It's under no obligation to tell Mr B the reasons behind the account block and closure, as much as he'd like to know. So, I can't say it's done anything wrong by not giving Mr B this information. And it wouldn't be appropriate for me to require it 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 hold onto his account balance for as long as it did. Whilst Kroo is entitled to block and review a customer's account, I'd expect them to do so in a timely manner. Mr B's account was blocked from 5 June 2024, but Kroo didn't unblock the account and release Mr B's funds until February 2025, which, is more than eight months.

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 withholding his funds for as long as it did.

I accept that certain administrative processes need to be completed prior to any funds being released, but in the absence of any detailed explanation from Kroo about what exactly it was doing for nearly eight months, don't think it unreasonable to conclude that Kroo could have done what it needed to do sooner than it did. So, it's not clear to me why it took until early mid-February 2025, for Kroo to release Mr B's funds back to him.

Given the lack of clear rationale for the length of time taken to release Mr B's funds back to him, I'm not persuaded Kroo treated Mr B fairly by holding onto his funds. So, I'm persuaded

that Mr B should be paid compensation for the impact of Kroo's actions. I can see Mr B has provided details of the impact being without his funds had on him in particular that he struggled to pay his school fees and had to spend time over a number of months contacting Kroo to chase the release of his money. I think £100 fairly recognises the trouble and upset Kroo's actions had on Mr B.

The longer a customer doesn't have access to the money in their account, the greater the trouble, upset and financial harm they may suffer. Mr B has said not having access to the funds in his accounts was stressful and made everyday life for him much more difficult.

I've looked at the timeline of events and what Kroo has said it was doing at the time. But I can't see any reason why the bank took as long as it did to release Mr B's balance to him. Based on the limited information they have provided I can't fairly conclude they have acted as they should have. Instead, I find they have likely caused unreasonable delays and haven't treated Mr B fairly. So, Kroo should also pay Mr B 8% simple interest on the balances of his account from 5 June 2024 until 18 February 2025, for loss of use of these funds.

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:

- Pay Mr B £100 compensation in recognition for the trouble and upset its actions caused him.
- Pay Mr B 8% simple interest for loss of use of Mr B's account balance from 5 June 2024 up until when the funds were 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 8 April 2025.

Sharon Kerrison
Ombudsman