DRN-5245313

The complaint

Mr F is unhappy that Kroo Bank Ltd will not refund £5,799.13 that he lost as the result of a scam.

What happened

As both parties are familiar with the details of the scam I will not repeat them in full here. In summary, Mr F fell victim to a safe account scam. The scammer called him pretending to be from Kroo and said he needed to move his money as his account had been compromised.

On 30 May 2025 he made two debit card payments for £2,799.13 and £3,000 to his Coinbase account as instructed by the scammer. From there he transferred the funds to a trust wallet the scammer had told him to set up. The scammer stole the funds from there. Mr F realised he had been scammed when the funds were no longer in the trust wallet.

Mr F reported this to Kroo on and raised a refund claim. Kroo rejected his claim saying Mr F had made the payments to a Coinbase account in his name and they did not warrant any checks before being processed.

Our investigator upheld Mr F's complaint in part. She said Kroo ought to have intervened at the time of payment two. Had it done so it would most likely have prevented the scam progressing. But Mr F should share the liability equally as he could have done more to avoid his loss.

Mr F accepted this assessment. Kroo did not and asked for an ombudsman's review. It said that the card transactions were made within minutes of each other and in line with its account terms account holders are able to make card payments of up to £10,000. They were to an existing payee and authorised using 3DS biometrics. It is unreasonable to expect it to have more rigid controls in these circumstances.

Separately, Kroo said as Coinbase asked Mr F to provide more information about how he heard about this investment opportunity Mr F may have actually fallen victim to an investment scam and not disclosed this to it. Our investigator resolved this last point explaining why she was satisfied it was a safe account scam.

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.

I am satisfied that Mr F made and authorised the payments. Mr F knew who he was paying, and the reason why. At the stage he was making these payments, he believed he was moving funds to keep them safe as his account had been compromised. I don't dispute Mr F was scammed and he wasn't making payments for the reason he thought he was, but I remain satisfied the transactions were authorised under the Payment Services Regulations 2017.

It's also accepted that Kroo has an obligation to follow Mr F's instructions. So in the first instance Mr F is presumed liable for his loss. But there are other factors that must be considered.

Taking into account the law, regulator's rules and guidance, relevant codes of practice and what was good industry practice at the time, I consider it fair and reasonable that in May 2024 Kroo should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;
- have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;
- have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment;
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving and the different risks these can present to consumers, when deciding whether to intervene.

To note, as the payments were made by debit card and Kroo is not a signatory to the code, the principles of the Contingent Reimbursement Model (CRM) code do not apply in this case.

In this overall context, I think Kroo can fairly be held liable for payment two. I'll explain why.

I acknowledge Mr F had sent money to the recipient account before, but by May 2024 Kroo ought to have been aware of the common use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers. So when he made two payments in rapid succession, the second of which drained his account and took the combined total to £5,799.13, I think it ought to have paused payment two until it had made direct contact with Mr F.

This means I need to decide what the outcome of such an intervention would most likely have been. Had it asked a proportionate series of questions to establish the basic context of the payments, I think Kroo would have uncovered that this was a scam. It could therefore have prevented Mr F's suffering further financial harm. I say this it would have known Mr F's account had not been compromised and that it had not reached out to him about this. I have seen no evidence to suggest Mr F would not have been honest with the bank, nor that he would not have taken a warning seriously and acted on its advice not to make payment two. So, I find Kroo's failure to intervene means it can reasonably be held liable for payment two.

It argues its terms allow account holders to make card payments of up to £10,000 but this right does not alter its obligation to monitor accounts and payments to counter various risks, including preventing fraud and scams. Indeed clause 19 of its terms gives it, amongst other things, the right to review the purpose or intended purpose of payments.

Should Mr F bear some responsibility for the overall loss?

I've considered carefully whether Mr F should hold some responsibility for his loss by way of contributory negligence. I think Mr F should be held responsible in part. Whilst the

scammer had spoofed Kroo's phone number giving the call legitimacy, they did not complete any caller verification or ask any security questions. This ought to have been a red flag. I also don't think it was credible or plausible that a bank would ask its account holder to send their money to a cryptocurrency exchange to keep it safe. Or that he couldn't just leave the funds in his Coinbase account and instead had to set up a trust wallet and move them there.

Overall, I'm not satisfied that it was reasonable for Mr F to proceed without doing more to check what he was being told. He received three separate calls from the scammer over a number of days so he had ample opportunity to call Kroo and check.

I am therefore instructing Kroo to refund only 50% of Mr F's loss from payment two.

Did Kroo do what it should to try to recover Mr F's money?

I have then considered if Kroo did what we would expect to try to recover Mr F's money once it was told about the scam. As the payments were made by debit card the opportunity to recover the funds would be through the chargeback scheme. But I don't consider that a chargeback claim would have had any prospect of success. There would have been no valid chargeback right given there was no dispute that the cryptocurrency exchange fulfilled the service it 'sold' to Mr F. So I can't say there was any failing in this regard on Kroo's part.

Putting things right

Kroo must:

- refund 50% of payment two, so £1,500
- add 8% simple interest per year from the date of the payment to the date of settlement.

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

My final decision

I am upholding Mr F's complaint in part. Kroo Bank Ltd must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 17 April 2025.

Rebecca Connelley
Ombudsman