

The complaint

Mr O complains that Kroo Bank Ltd ('Kroo') won't reimburse the money he lost when he fell victim to a scam.

What happened

Mr O says that he and his partner were in the process of buying and selling a property and had appointed a firm of solicitors. He communicated with his solicitor by email and sometimes by phone. Without his knowledge a fraudster impersonated his solicitor and sent emails asking for funds to be paid into an account which was in the name of a company (unrelated to the name of the firm of solicitors Mr O had engaged). On 30 April 2024 Mr O paid the company £63,027.

Mr O realised he was the victim of a scam when he called his solicitor the following day. He reported the scam to Kroo on 1 May 2024.

Kroo said that the payment was made at Mr O's request and that it had provided a warning and asked the purpose of the payment, which gave Mr O the opportunity to reflect on the legitimacy of it. Kroo went on to say that it had done what it could to recover Mr O's funds but hadn't been successful.

Mr O was unhappy with Kroo's response and brought a complaint to this service. He says Kroo failed to protect him when the payment was made. Mr O was able to purchase the house but had to get a mortgage for a greater amount and has suffered a lot of stress.

Our investigation so far

The investigator who considered this complaint recommended that it be upheld in full. He said that the payment was so unusual and out of character that Kroo ought reasonably to have intervened and asked Mr O questions about it. Had Kroo done so, the investigator felt that the scam would have been uncovered, and Mr O's loss prevented. The investigator didn't think Mr O should be share responsibility for his loss.

Kroo didn't agree with the investigator's findings, so Mr O's complaint has been passed to me to decide. In summary, it said:

- Based on the available evidence, Kroo didn't think that if it had asked Mr O further questions he would have taken additional steps to verify who he was paying. Mr O was provided with information that was different to that provided by the genuine solicitors which Mr O should have questioned.
- When he entered the payment details Kroo provided Mr O with a warning that said it could be a scam, but Mr O didn't take any action.
- The genuine solicitor provided warnings in emails.
- The font and wording of the legitimate and fake emails differed.

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.

In deciding what's fair and reasonable, I'm required to take into account relevant law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

Kroo hasn't signed up to the Lending Standards Board's Contingent Reimbursement Model Code so I can't apply its provisions.

In broad terms, the starting position at law is that a financial institution such as Kroo is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

But, taking into account relevant law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider it fair and reasonable in April 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.

I've considered Mr O's statements for the six-month period before the scam. Having done so, I'm satisfied the payment Mr O made on 28 April 2024 was out of character. Mr O didn't use his Kroo account regularly. In January 2024 he transferred nearly £63,000 over four transactions from his Kroo account to another account in his own name. The scam payment was a single payment to a third party new payee.

Kroo recognised a scam risk. It says it provided Mr O with an on-screen warning "to double check whether the payment could be a scam". Kroo has not provided this service with the on-screen warning, but it sounds like a very general warning. After this, Kroo sent Mr O an email in which it asked for some additional information about the payment. Mr O was asked for the payment purpose and chose the "Financial institution/ solicitor" option from a list provided. Mr O was then asked his relationship with the company and chose the same option as previously (paying a financial institution or solicitor).

I'm not satisfied that Kroo's intervention went far enough. There is no suggestion that, after asking for the payment reason, Kroo provided a warning tailored to the specific scam risk Mr O might be falling victim to or that it asked further questions as I would expect. One of the questions I consider Kroo should have asked, given its knowledge of impersonation scams, was how Mr O got the payment details and whether he had called his solicitor on a trusted number to confirm them.

I have no doubt that if Kroo had asked the kind of questions I think it should have Mr O would have provided honest answers as he did when Kroo asked very basic questions about

the reason for the payment. I'm also satisfied that if Kroo had provided an appropriate scam warning Mr O would have taken precautions to ensure he was paying the right party. He was transferring a huge sum of money that the purchase of his home depended on so I see no reason why Mr O wouldn't have taken a few moments to ensure the payment details were correct. But Kroo failed to provide an appropriate warning or to bring a scam of this nature to life.

I've gone on to consider whether Mr O should share responsibility for his loss. In considering this point, I've taken into account what the law says about contributory negligence as well as what's fair and reasonable in the circumstances of this complaint. On balance, I'm satisfied that Kroo should reimburse Mr O's full loss and will explain why.

Mr O received fake emails impersonating his solicitor. The emails looked the same as genuine emails and included a disclaimer and genuine contact details. The only difference was that the early scam emails included an additional letter in the email address (which wasn't present in later emails), and none of the fake emails displayed the cyber crime prevention warning that was in genuine emails. The fake emails were written in a similar way to genuine emails and included conveyancing details as well as payment requests.

Kroo has referred to the font and wording of the fake emails being different. I'm not persuaded they were so different to genuine emails that Mr O ought reasonably to have identified an issue. I also think it's understandable that Mr O didn't notice an additional letter in some of the fake email addresses, particularly as he used the 'reply' key rather than typing the email address each time.

I turn now to the warning Mr O's genuine solicitor provided at the end of emails. This warning provided information about ensuring that a client checks payment details. For obvious reasons, the scammer(s) didn't include this information in the fake emails sent to Mr O. So, at the time the warning was relevant, Mr O didn't see it. Added to this, Kroo didn't provide a warning that ought reasonably to have led Mr O to take additional steps to protect himself before making it.

The scammers asked Mr O to make payments in chunks to a trust account in advance of completion. Mr O asked questions and was advised that it would save time if he made payments in accordance with his daily transfer limit. Whilst I recognise that someone with expert knowledge would identify this as a red flag, Mr O wasn't an expert in fraud and scams and hadn't bought a house for many years. In the circumstances, I can't say he acted unreasonably.

The account Mr O paid wasn't in the name of the firm of solicitors he was using. But the scammer gave Mr O an explanation for this. Mr O was told it was a 'trust account', which he felt was a reasonable explanation. He also got a confirmation of payee match result when the payment was made.

Overall, I'm not satisfied Mr O should bear any responsibility for the loss.

Kroo hasn't provided this service with evidence of its attempts to recover Mr O's funds promptly. As I am upholding his complaint in full, I see no merit in considering this point further.

My final decision

For the reasons stated I uphold this complaint and require Kroo Bank Ltd to:

- Pay Mr O £63,027; and
- Pay interest on the above amount at the rate of 8% simple per year from the date of the transaction to the date of settlement.

If Kroo Bank Ltd is legally required to deduct tax from the interest it should send Mr O a tax deduction certificate so he can claim it back from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 25 June 2025.

Jay Hadfield
Ombudsman