

## The complaint

Mr W complains that Kroo Bank Ltd (“Kroo”) failed to refund transactions from his account that he didn’t recognise.

## What happened

Mr W reported that he’d been locked out of his main bank account (held with another business I’ll refer to as H). He was advised that suspicious activity had been detected and they’d locked his accounts. They advised him to check his other accounts.

Mr W couldn’t gain access to his Kroo account and spoke with them. They told him that several transactions totalling £2,910 had been moved from his Kroo account to another account in his name (held with another financial business I’ll refer to as E).

Mr W reported that he received slow and unhelpful responses from Kroo and had to call them on about 14 different occasions over several months.

Kroo wrote to Mr W and said that their investigation “...*suggests that there was a genuine account take over fraud occurred and the funds were debited out to another financial institution (E) in your name*”.

Mr W lodged a complaint about Kroo’s handling of the dispute. They concluded their investigation and advised Mr W they weren’t going to refund him, they also didn’t believe they’d delayed their investigation. Kroo advised Mr W they’d been in touch with E and he should contact them for a refund. Kroo stated to Mr W that they followed their correct procedures and arrived at the correct outcome.

Mr W remained unhappy with Kroo’s response and brought his complaint to the Financial Ombudsman Service for an independent review where both parties were asked to provide information about the situation.

Mr W was able to confirm what had happened and provided details of his interaction with Kroo, explaining the issue had caused him stress and the loss of funds had had a traumatic effect on his own finances.

Kroo delayed their response, so the investigator issued his recommendations based on the information held at the time. He concluded that as Kroo accepted Mr W was the victim of an account takeover, which E also believed was the case, the refund due to Mr W should be split equally between them. They (Kroo) should also pay 8% simple interest for the loss of use of his funds. The investigator also thought the Kroo’s investigation had fallen below the levels expected and further recommended that Kroo pay him £150 compensation.

Kroo then provided their response, where they continued to argue that because the funds went to another account in Mr W’s name, any refund should be made by the other business (E). Kroo again did acknowledge that “...*the outcome of the fraud investigation suggested account takeover*”. Kroo also didn’t believe they’d delayed their investigation into the loss.

As no agreement could be reached, the complaint has now been passed to me for a decision.

E provided details of their investigation which identified those payments arriving in the account under Mr W's name, which were sent out to an individual's account in a name not recognised by Mr W.

I issued my provisional findings on the merits of Mr W's complaint on 12 January 2025. In my provisional findings, I explained why I intended to uphold Mr W's complaint and offered both sides the opportunity to submit further evidence or arguments in response. An extract of that decision is set out below and forms part of this final decision:

"What I've provisionally 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.

When Mr W reported the loss of his funds to Kroo after being advised to contact them by his other bank (H), he was effectively saying that he hadn't consented (authorised) those transactions. Kroo later concluded that there was evidence to suggest there had been an account take over.

What that means here is Kroo accept Mr W wasn't likely responsible himself for those transactions. I also haven't seen any argument to the contrary, so for the purposes of this complaint, I consider those transactions disputed by Mr W are considered unauthorised in relation to the Payment Service regulations 2017 (PSRs).

The PSRs then state that:

76.—(1) Subject to regulations 74 and 75, where an executed payment transaction was not authorised in accordance with regulation 67 (consent and withdrawal of consent), the payment service provider must—

(a) refund the amount of the unauthorised payment transaction to the payer.

(2) The payment service provider must provide a refund under paragraph (1)(a) as soon as practicable, and in any event no later than the end of the business day following the day on which it becomes aware of the unauthorised transaction.

It's Kroo's case that because the unauthorised funds went to another account in Mr W's name, it should be E's responsibility to refund him. Kroo have argued that they had no opportunity to prevent these losses as they wouldn't have been flagged as unusual.

The regulations are clear here when it comes to the issue of authorisation. If the account holder didn't consent (authorise) to the disputed payments, then they're due a refund, because Kroo didn't have the appropriate instruction from him to release the funds from his account. There's no case being made here that Mr W was somehow involved or negligent, so I was surprised that Kroo took this position not to refund him.

Whilst there may be considerations about splitting liability concerning the issue of scams – that's not what Mr W has raised here. The available evidence is that someone unknown to Mr W took over his account(s) and was able to take his funds. That is very different to a scam and the responsibilities for Kroo are correspondingly different.

I don't think they acted fairly here when they pushed Mr W towards E to obtain a refund and

the resultant delay in refunding him was unreasonable, leading to further distress and financial difficulties for Mr W.

I'm currently intending to uphold this complaint and will require Kroo to:

- Make a full refund to Mr W of £2,910.
- Add simple interest at 8% per annum, from the date of loss to the date of repayment.
- Pay £150 for their handling of the dispute.

I invited Mr W and Kroo to give me any more evidence and information they wanted me to consider before issuing my final decision. Kroo didn't respond and Mr W argued that Kroo should compensate him further. I asked Mr W for more detail concerning the impact of the continued loss of his funds caused by Kroo's decision not to refund him.

In summary, Mr W said:

- Kroo's handling of the situation negatively impacted his personal finances and as a result he had to delay expenditure on planned maintenance tasks and personal trips.
- He's further explained that the loss of funds caused him worry, stress, anxiety and sleepless nights.

So, based on the additional evidence provided by Mr W, I reconsidered the amount recommended in my provisional decision.

I wrote to Kroo and explained I was intending to increase the compensation to £300 (from £150). I asked Kroo for their comments but to date they've not responded.

### **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.

Having now done so, and as Kroo haven't offered any response to either my provisional decision or additional correspondence, I see no reason to reach a different conclusion. So, this final decision confirms the findings set out in my original provisional decision and supplementary decision set on 4 February 2025.

### **Putting things right**

So, Kroo will now be required to refund the total losses suffered by Mr W and pay interest against the loss of use of those funds. I note that Kroo themselves weren't the cause of the loss, but on a fair and reasonable basis, I think their approach led to unnecessary delays, negatively impacting Mr W. Kroo will also be required to pay Mr W £300 for the unnecessary stress, worry and inconvenience experienced by Kroo's decision not to refund Mr W.

### **My final decision**

My final decision is that I uphold this complaint against Kroo Bank Ltd and in order to settle it they're now required to:

- Make a full refund to Mr W of £2,910.
- Pay 8% simple interest per year on this amount, from the date of the unauthorised transactions to the date of settlement (less any tax lawfully deductible).

- Pay £300 to Mr W for their handling of the dispute.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 12 March 2025.

David Perry  
**Ombudsman**