

## The complaint

Mr M complained because Kroo Bank Ltd refused to refund him for payments which he said he hadn't authorised.

## What happened

On 8 June 2024, Mr M contacted Kroo by chat. He said his card had been stolen when he was abroad, and there were debit card transactions on his account which he hadn't authorised. He said all his money had gone. There were eight disputed transactions and the total came to £4,613.13. Mr M told Kroo which was his last genuine transaction. He also told Kroo that there had been fraudulent transactions, to the same recipient, when his card from his other bank had been stolen at the same time. That other bank had refunded him for fraudulent transactions, and it had also blocked further fraudulent transactions. Mr M said he was very worried and asked Kroo "please help."

Kroo's adviser told him that the transactions were "pending" so it couldn't take any action at that point. It said transactions usually settled within 8 days and it would get back to Mr M.

Mr M chased, and on 18 June, and on 26 June, Kroo told Mr M that it had no updates.

Mr M chased Kroo again on 3 July and 9 July. On 15 July he had a reply saying Kroo was investigating. Mr M asked for a timescale, pointing out that it had been over a month since he reported the disputed transactions.

But he received a reply on 17 July saying *"there is no timescale as to when this investigation will end."* Mr M replied *"due to the length of time this is taking and not being able to provide me with a timescale, I would like to make an official complaint. This matter is really stressful for me and is affecting me mentally."*

Kroo told Mr M how to complain. At that point it asked if anyone knew his card PIN; whether he'd given it to anyone else to use; and whether anyone had asked to use his card. Mr M answered no to all three questions. He also said that as his other bank had resolved an identical fraud swiftly, why was it taking Kroo so long.

Kroo then asked more questions, including how Mr M had found out about the fraudulent transactions. He said that his other bank had alerted him, by asking if transactions on his account with that bank were genuine, to which he'd said no. That had prompted him to check his Kroo account. Mr M provided a screenshot from his other bank. Mr M also confirmed that he didn't have his PIN written down and hadn't shared it with anyone.

On 30 August, Kroo responded to Mr M's complaint about how long the investigation was taking. It said it acknowledged that the investigation had taken longer than expected. It apologised for the inconvenience and said it upheld his complaint. But the response didn't give Mr M the outcome of the disputed transactions claim, and nor did it offer Mr M any compensation, despite having upheld his complaint.

On 2 September, Kroo sent its response to Mr M's 8 June disputed transaction claim. It said *"We've used a combination of the information you've provided and the data we hold on the transactions to reach and outcome for the investigation. The evidence supports that the disputed transactions are not fraudulent and therefore not eligible for a refund."*

Mr M replied immediately, saying it was a very poor response considering he'd lost thousands of pounds. He urged Kroo to reconsider, considering the other bank had refunded him for the fraudulent transactions and had declined further fraudulent transactions so they didn't leave his account, which Kroo didn't do.

Mr M wasn't satisfied with Kroo's response and contacted this service.

Our investigator asked Kroo for more information, including a copy of its fraud investigation, online banking records, and an audit of the disputed payments including device or IP address (a unique computer identification). He also pointed out that the information which Kroo had sent us showed the disputed payments as "contactless" which didn't usually require a PIN. But the reason Kroo had refused Mr M's claim was because it said Mr M's PIN had been used. The investigator asked Kroo for more information to clarify this. But Kroo didn't reply.

Our investigator upheld Mr M's complaint.

He said that he'd seen the evidence which Mr M had provided for his account with the other bank. This showed that the other bank had alerted Mr M to suspicious transactions; had refunded him; and had blocked further fraudulent transactions.

Kroo had told this service that it couldn't treat the disputed payments as fraudulent because the PIN for Mr M's card had been used for them – and Mr M had said he hadn't written down or shared the PIN. The investigator explained that normally this might lead him to conclude that Mr M had been involved. But here, Kroo's technical evidence didn't clearly show that a PIN had been used. That evidence had been recorded as "contactless" and these don't usually require a PIN. Kroo hadn't replied to the request for more information.

And there had also been declined transactions for the equivalent of £1,121.37 and £690.07, which were rejected because there was no longer enough in Mr M's account. There had then been the final payment for the equivalent of £414.04. The investigator explained that this was typical of fraudster behaviour if they didn't know how much was left in the account. So they'd tried gradually reducing amounts until they got more money.

The investigator also didn't consider Mr M had been grossly negligent with his security, having lost his cards on the way back to his accommodation, and reported the problem as soon as he was alerted by the other bank's text.

So the investigator concluded that Kroo should refund Mr M for the disputed transactions. He pointed out that under the regulations, refunds for unauthorised payments should be made by close of business the day after a dispute report – which Kroo hadn't done. He said Kroo should pay £100 compensation for the delay in investigating Mr M's claim.

Mr M agreed. But Kroo didn't reply, so the complaint was passed to me for an ombudsman's 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.

#### *What the Regulations say*

There are regulations which govern disputed transactions. The relevant regulations here are the Payment Services Regulations 2017.

In general terms, the bank is liable if the customer didn't authorise the payments, and the customer is liable if they did authorise them.

There are two stages for a disputed transactions complaint. The first stage is the technical part, authentication. The second stage, if authentication is proved, is authorisation ie did the customer consent to the payment.

The Regulations set out what evidence is required for the first stage, authentication:

*"75.—(1) Where a payment service user—  
(a)denies having authorised an executed payment transaction; or  
(b)claims that a payment transaction has not been correctly executed,  
it is for the payment service provider to prove that the payment transaction was authenticated, accurately recorded, entered in the payment service provider's accounts and not affected by a technical breakdown or some other deficiency in the service provided by the payment service provider."*

Here, the payment service user is Mr M, and the payment service provider is Kroo.

#### *What this means for Mr M's complaint – liability for the payments*

So Kroo first has to show clear evidence of the authentication of the payments, before I go on to look at whether or not Mr M authorised, ie consented to, them. Kroo hasn't provided what we would normally expect to see, and what our investigator requested. Also, as our investigator pointed out, the document says the payments were contactless, but also that the PIN was present. This is unlikely. Kroo didn't reply to this service's questions, or provide the necessary information. So I find that Kroo failed to meet the authentication requirement.

Although I don't consider Kroo has met the first stage, authentication, I've also gone on to consider whether it's more likely than not that it was Mr M, or a third party fraudster, who carried out the payments.

The evidence provided by Kroo also doesn't lead me to conclude that it was likely to have been Mr M who authorised the payments. The evidence isn't clear about whether the transactions were authorised using contactless without a PIN, or by PIN. Nor has Kroo supplied the other necessary evidence requested, such as a copy of its fraud investigation; online banking records; and an audit of the disputed payments showing clearly how they were made, including device and IP information.

In contrast, Mr M's evidence has been clear. I've read all the Chat messages provided by both sides, and it's clear Mr M reported the transactions as soon as he was alerted to the frauds by his other bank. I've seen the evidence from that other bank, including picking up on some transactions and asking Mr M whether or not he'd made them, to which he answered no. It's highly credible that Mr M would then have checked his Kroo account. The Chat messages show that he was very concerned and chased Kroo regularly.

Mr M's evidence is clear that his cards had been stolen while he was on a short break abroad, and coming back to his accommodation from an evening out. There's no evidence to indicate that he'd been negligent with the safety of his cards.

The pattern of payments also tallies with fraudulent use. The payments happened very quickly – eight successful payments in under an hour just after midnight. Near the end of that time, there were the two failed payments, because there was no longer enough in Mr M's account. It's common for a fraudster who doesn't know the account balance, to continue to try payments, and when an account is almost empty and payments start to fail, to reduce attempted payments until a lower amount goes through. There was only £80.21 left in Mr M's account after the disputed payments.

I've also borne in mind that the payments were made in rapid succession. I consider there was a point at which Kroo should have blocked them and contacted Mr M to ask whether they were genuine – just as Mr M's other bank did.

In the absence of any detailed evidence from Kroo, I consider it's most likely that Mr M did not authorise the payments himself. So Kroo has to refund him. I also award interest at the standard county court rate of 8% from 8 June 2024 to the date of payment.

### *Customer service*

The Chat messages show that Mr M was understandably very distressed by what had happened, and the large amount of money which had been fraudulently taken. And it's also entirely understandable that he'd want it sorted out quickly – just as his other bank had done.

But Kroo didn't provide any helpful updates. Also, the regulator, the Financial Conduct Authority, says that the refund should be in a customer's account by the end of the next business day. Kroo didn't send us all the bank statements we requested, just the one for June 2024, but there is no mention in the chat messages, or the limited information Kroo did send us, of a temporary refund.

I've set out above the very poor customer service which Kroo gave Mr M. As he pointed out, the other bank had resolved a fraud on his account promptly, by refunding fraudulent transactions and by blocking future attempted frauds. In particular, I note that Mr M reported the dispute on 8 June, and Kroo didn't start to ask him standard fraud-related questions until 17 July, and was still asking questions in late August. This was despite Mr M chasing regularly, and saying how distressed he was. I can't see how Kroo can have done anything at all in that six weeks as it hadn't asked Mr M for full information which it would have needed to reach its conclusion.

So I find that Kroo's customer service was very poor, at a time when Mr M was worried and distressed. I consider it should pay him £100 compensation for the distress and inconvenience its delays caused him.

### **My final decision**

My final decision is that I uphold this complaint. I order Kroo Bank Ltd to pay Mr M:

- £4,613.13 to refund the eight disputed transactions; and
- Interest on this amount at 8% simple, from 8 June 2024 to the date of payment; and
- £100 compensation for the distress and inconvenience caused to Mr M by its poor customer service relating to his disputed transaction claim.

If Kroo deducts tax from the interest on the award, it should provide Mr M with a tax deduction certificate to show how much it has deducted, in order to allow Mr M to reclaim the tax from HMRC if appropriate to his personal circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or

reject my decision before 5 June 2025.

Belinda Knight  
**Ombudsman**