

The complaint

Mr J complains that Kroo Bank Ltd (“Kroo”) hasn’t protected him from losing money to fraud.

What happened

The background to this complaint is well known to both parties, so I won’t repeat everything here. In brief summary, Mr J has said that on 17 November 2023 a payment of £9,500 was made out of his Kroo account as a result of fraud. Ultimately Kroo didn’t refund this money to him, and Mr J referred his complaint about Kroo to us. As our Investigator couldn’t resolve the matter informally, the case has been passed to me for a decision.

I sent Mr J and Kroo my provisional decision on 27 February 2025. Now both parties have had fair opportunity to respond, I’m ready to explain my 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.

Having done so – and in the absence of representations from Mr J and Kroo challenging my provisional decision – I’ve reached the same conclusions as in my provisional decision and for the same reasons. I’ve explained why again below.

I’m satisfied Mr J authorised the relevant payment – he knew it was being made and consented to it. Kroo would generally be expected to process payments a customer authorises it to make. And under The Payment Services Regulations and the terms and conditions of the account, Mr J is presumed liable for the loss in the first instance, in circumstances where he authorised the payment. However, this isn’t the end of the story. Good industry practice was that Kroo ought to have been on the look out for transactions that were unusual or uncharacteristic to the extent that they might indicate a fraud risk. On spotting such a payment instruction, I would expect Kroo to intervene in a manner proportionate to the risk identified.

In this case Kroo has provided information showing that it did intervene in the payment before it followed the instructions to make it: first Mr J would have been shown a “Stop and think” ‘new-beneficiary’ warning which said, *“Could this be a scam? Scammers can offer online deals at massively discounted prices or pretend to be your bank or HMRC and request to move your money to a safe account. Is it too good to be true? Be wary of these deals as they may be a scam. If you were told to ignore these warnings, stop and think. Don’t pay if you’re unsure. It’s very difficult for us to recover your money if you pay someone else.”* Mr J would then have been presented with two options: to “Stop and get advice” or to select *“I’m aware of the risks and wish to continue”*.

I understand Mr J would then have been shown another pop-up warning, when instructing the payment, which said, *“Hold up 1 sec...Could this be a scam? Is anything strange about this payment? You may lose money if this is a scam. Stop immediately if: You are making a purchase that sounds too good to be true; You are being pressured to make this payment;*

You were asked suddenly for financial help on social media; You were told to ignore warnings like this.” Again, Mr J would then have been presented with two options: to “*Stop and get advice*” or “*I’ve got it, let’s continue*”.

There are certainly cases where I’d expect fraud warnings and interventions to go further than this. However, there are many payments made by customers each day. There’s a balance to be struck between identifying payments that could potentially be fraudulent and proportionately warning customers about this, and minimising disruption to legitimate payments (allowing customers ready access to their funds).

In this case, I note that Mr J’s account with Kroo was opened on 15 November 2023. So at the time of this payment instruction on 17 November 2023 there wasn’t an established history of account usage for Kroo to know what would be usual account activity for Mr J. This didn’t absolve Kroo of expectations to look out for fraud and scams. But, with this particular payment, I think it was proportionate enough for Kroo to warn Mr J in a way that broadly covered general scam risks as it did.

And in this case, even if I thought Kroo ought to have done more than this, I’m not persuaded this is likely to have made a difference. This is because the way Mr J has explained what happened leads me to believe he was very much under the spell of the alleged fraudsters. There certainly are instances where heightened interventions or warnings can prevent scam payments from proceeding, but in the individual circumstances of this case, from what I’ve seen, I’m not persuaded this would be one of them. For these reasons, I’m not persuaded I can fairly say that Kroo unreasonably failed to prevent Mr J’s payment of £9,500 on 17 November 2023.

After the payment was made, I couldn’t reasonably expect Kroo to have done anything further until it became aware that Mr J considered this payment fraudulent. But unfortunately Mr J didn’t make Kroo aware of this until some time after the payment had been made. I can see that Kroo did try to recover the funds for Mr J. But unfortunately I think that, given the circumstances of this case, these funds were then likely never going to be recoverable by Kroo from the third party recipient payment institution. So I’m not persuaded I can fairly hold Kroo responsible for Mr J not being able to recover these funds.

I’m sorry if Mr J was scammed and lost this money. However, I can’t fairly tell Kroo to reimburse him in circumstances where I’m not persuaded it reasonably ought to have prevented the payment or to have recovered it.

My final decision

For the reasons explained, I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr J to accept or reject my decision before 11 April 2025.

Neil Bridge
Ombudsman