

The complaint

Mr N complains that Kroo Bank Ltd unfairly loaded an adverse fraud marker against his name.

What happened

As the circumstances of this complaint are well-known to both parties, I'll summarise them briefly below.

Mr N held an account with Kroo. On 4 June 2023, Mr N received a payment into his account for £345.

In August 2023, Kroo received a notification from the sending bank of the payment reporting that its customer had raised a fraud claim in relation to this amount. In response, Kroo placed restrictions on Mr N's account and asked him to provide evidence of entitlement to those funds.

Mr N sent Kroo evidence via its in-app chat that he'd received the payment in exchange for the sale of cryptocurrency digital assets. Kroo reviewed this evidence and decided to close Mr N's account with immediate effect. It also returned the remaining funds to the sending account that had raised the fraud report and loaded an adverse fraud marker against Mr N on the Cifas database.

Mr N was unhappy with the actions taken by Kroo, so he registered a complaint. But after a review, Kroo didn't find it had acted unfairly. As Mr N remained unhappy with Kroo's response, he came to our service for an independent review.

An Investigator considered the complaint and concluded that Kroo had made an error in loading the marker to the Cifas database. They recommended Kroo remove any remaining adverse markers, reimburse Mr N any funds it removed from his account and pay £500 in compensation for the distress and inconvenience caused.

Mr N accepted the Investigator's findings, but Kroo disagreed. It argued that the evidence provided by Mr N wasn't satisfactory and reiterated that it loaded the marker fairly.

As Kroo disagreed with the Investigator's recommendations, the matter has now been passed to me for a final decision to be made.

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.

Was the recording of the Cifas marker fair?

One of the relevant considerations here is set out by Cifas: the fraud marker database controller. In its Handbook—which members must adhere to when loading markers—it sets out the burden of proof the member must meet. The relevant standards regarding this

complaint are:

1. That there are reasonable grounds to believe that a fraud or financial crime has been committed or attempted.
2. That the evidence must be clear, relevant and rigorous.

My understanding of these standards is that a member cannot simply load a marker against an individual based on mere suspicion. It must be able to meet a higher bar; in that a customer was likely a witting participant in the alleged conduct. This has been reinforced by Cifas' Money Mule Guidance, which it released to its members in March 2020.

Kroo correctly acted within its regulatory and legal obligations when it placed blocks on Mr N's account following the report of fraud. And it also done what it ought to have by contacting Mr N and asking him to account for the funds that had been received. But I do not agree with Kroo that the subsequent evidence Mr N provided in support of his entitlement to those funds was insufficient.

Mr N provided Kroo—and subsequently our service—with clear evidence supporting his innocent involvement in the receipt of the funds that had been reported as fraud. This evidence shows that on the date the funds were received into Mr N's account, he had sold cryptocurrency via a peer-to-peer digital currency platform.

This meant that Mr N had instructed a potential buyer of his digital assets to make payment to his Kroo account, to the value of £345. The digital currency platform then held the crypto assets until these funds were received. Once Mr N confirmed receipt of the funds to the digital currency platform, his digital assets were released to the buyer. But, unbeknown to him at the time, he was in fact receiving funds from a victim of fraud who'd likely been instructed to make that payment by the perpetrator.

In essence, Mr N appears to have been used by criminals to unwittingly launder the proceeds of crime through his account. Kroo ought to have identified this when Mr N provided the evidence in support of his entitlement to those funds and not loaded an adverse fraud marker against him.

Kroo has argued that the information Mr N provided in support of entitlement to the funds was insufficient, but I can't agree. The screenshots provided clearly shows the sale of the digital assets and the date, time and amount correlate with the receipt of the funds into his account. Mr N has gone further and provided the conversation between him and buyer, as well as a report he made to the digital currency platform reporting the criminal activity of the buyer.

Overall, I find that Kroo didn't act fairly in loading the adverse fraud marker against Mr N's name. It also acted unfairly in returning Mr N's funds to the reporting victim of fraud. While the victim had lost money as a result of fraud committed against them, Mr N had also parted with legitimately held digital assets to the value of the funds he'd received. He therefore had equal claim over the funds he'd received.

Putting things right

Kroo should now go ahead and remove all adverse fraud markers it has recorded against Mr N for this event.

It should also reimburse Mr N any money it returned to the sending account, as Mr N has demonstrated he was legitimately entitled to these funds.

As well as reimbursing those funds, it should apply 8% simple annual interest on that amount to reflect the deprivation of those funds. Mr N provided proof of his entitlement on 24 August 2023. It's reasonable that Kroo would have required some time after that proof had been given to review it, so it should apply the interest from 7 September 2023 to the date it settles with Mr N.

Mr N has also told our service that the fraud marker loaded against him has caused a significant amount of distress and inconvenience. Mr N was not only subjected to considerable delays when defending his legitimate receipt of the funds, but the application of the marker caused the closure of some of his financial accounts. He also struggled to have new ones opened.

I don't find it fair that Kroo should be held wholly liable for the impact of these closures and rejections, as these decisions were not in the control of Kroo. But its decision to load the marker no doubt contributed to them.

Mr N has also disclosed to our service that these accusations have caused him a significant amount of emotional distress, impacting his mental wellbeing and daily life. That impact was likely exacerbated by the delays in handling his claim.

Due to the impact caused, I find the Investigator's recommendation of £500 in compensation to be fair.

My final decision

For all the reasons I've given above, I uphold this complaint and direct Kroo Bank Ltd to:

- Remove any remaining adverse fraud markers held against Mr N.
- Reimburse Mr N any funds it returned to the sending bank and pay 8% simple annual interest on this amount from 7 September 2023 to the date it settles.
- Pay Mr N £500 in compensation, to reflect the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 6 June 2025.

Stephen Westlake
Ombudsman