

The complaint

Ms M complains that Kroo Bank Ltd has unfairly declined to refund a transaction she made from her account after she was the victim of a scam.

What happened

On 5 September 2024, Ms M was the victim of a sophisticated scam, whereby she was called by three separate individuals who all convinced her that they were from either her banking providers, or the Financial Conduct Authority (FCA), and were helping her to protect her money from fraud. She was told that malware had been placed on her phone and fraud was happening in real-time, and that she needed to complete steps to stop it from progressing further and/or receive refunds.

Ms M says she was on the phone for around 45 minutes and has given a detailed account of the calls she received, the 'security' questions she was asked, and the level of detail that these people already knew about her bank accounts, as well as being able to see declined transactions in real-time happening on her account – which all convinced her that it was legitimate.

As part of the scam, Ms M was tricked into authorising a £3,000 transaction via her Kroo banking app. She was told this was required to 'release funds' from the fraudulent transaction that had been processed already, but that it would be reimbursed straight away.

But the £3,000 wasn't reimbursed straight away. And Ms M realised she'd been the victim of a complex scam. She contacted Kroo straight away to report the fraud and asked it to refund the money. Kroo then passed the matter to its fraud team for consideration.

Ms M waited a number of weeks for an answer but didn't get any meaningful updates, despite regularly chasing the bank. Unhappy with the overall handling of her fraud claim, Ms M complained to Kroo. In response, it said:

- It was sorry that it didn't contact Ms M about her fraud claim between 5 September and 30 October 2024. The service Ms M received did not meet Kroo's usual standards.
- It was sorry it didn't advise Ms M to report the matter to Action Fraud.
- Fraud investigations can take time, especially complex ones. But its lack of responses caused delays and uncertainty for Ms M, that could've been avoided.
- It paid £50 into Ms M's Kroo account in recognition of the trouble and upset its handling of the fraud claim had caused.

It wasn't until 18 December 2024 that Kroo concluded its fraud investigation and explained to Ms M that it didn't believe it was liable for her loss. This was because of the way the £3,000 disputed transaction had been authorised via Ms M's Kroo app.

Ms M referred her complaint to our service where it was considered by one of our investigators. She accepted that Ms M had fallen victim to a complex scam, but she didn't believe that Kroo was responsible for the £3,000 refund, in view of how it had been

authorised. She also felt the £50 Kroo had paid was sufficient to cover the customer service issues from Kroo.

Miss M remained unhappy. In response to our investigator, she reiterated that she only approved the £3,000 transaction under the proviso that it would immediately return to her account. She also questioned why Kroo didn't highlight the disputed activity as suspicious or suspend her account to verify the legitimacy of the transactions before they were processed.

Ms M also highlighted a particular case study from our services' website which had been upheld in the customers' favour. She felt this reflected the same circumstances as hers and questioned why the outcome was so different.

As no agreement could be reached, the complaint has been passed to me to decide.

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, I realise this will come as a disappointment to Ms M, but in relation to the £3,000 disputed transaction, I've reached the same conclusions as our investigator. I've explained why below.

It's accepted by all that Ms M fell victim to a complex scam, and as a result, was tricked into sending the £3,000 to a fraudster. I was very sorry to hear that this was the case. I'd like to thank Ms M for explaining the impact this has had and continues to have on her. This can't have been an easy time for her at all, and for that she has my sympathy. I know Ms M feels that because she was the victim of a scam, she should get her money back. But being the victim of a scam doesn't mean the bank is automatically required to provide a refund. There are various factors for me to consider, including how the disputed transaction was made and the obligations of the bank in line with the relevant regulations. And in reaching this decision, I must consider what's fair to both Ms M and Kroo in the overall circumstances of the complaint.

The regulations relevant to this case are the Payment Service Regulations 2017 (PSR's). These say that generally speaking, Ms M would be liable for authorised payments, and Kroo would generally be liable for unauthorised ones.

I know Ms M has referenced literature she's found on our website in relation to a scam complaint that was upheld. But it's important to explain that that example was in relation to an Authorised Push Payment (APP) and the Contingent Reimbursement Model (CRM) – which provides for a refund except in limited circumstances, where a person has fallen victim to an APP fraud. But the £3,000 transaction Ms M made wasn't a push payment, it was made by card and so is classed as a pull payment. That means the CRM isn't applicable and Ms M's transaction isn't protected by the same standards as APP scams.

I'm satisfied that the £3,000 transaction was correctly authenticated using Ms M's card information. The PSR's explain that Ms M must have given her consent to the execution of the payment transaction.

This is usually given when Ms M completes the steps agreed for making a payment. And for the purposes of whether a payment is authorised, it doesn't matter if Ms M was deceived about the purpose or the amount of the payment – which I accept is what happened here. I realise Ms M says she didn't give any of the callers her card information, (as they already knew it somehow, because she was seeing real-time declined transactions

happening in her app) and that also, she didn't intend to give consent for the scammer to make any payments on her behalf. I appreciate she approved the payment under false pretences, believing she was taking positive steps to protect her money as part of a bigger fraud that was time sensitive and happening right there and then. But, by approving the transaction in the way that she did, Ms M consented to the payment.

I fully accept that Ms M wouldn't have knowingly sent her money to a fraudster. But sadly, these scams are very convincing, and victims are often engineered to carry out certain tasks quickly without realising the consequences. I've no doubt that this is what happened to Ms M, but as mentioned, in this situation it doesn't matter if Ms M was deceived about the purpose of the payment to consider it as authorised. She's said herself that the Kroo app asked her to select 'approve transaction,' which she did (albeit under false pretences), but in the circumstances of this case, I find it fair for Kroo to have treated this transaction as authorised by Ms M. And it follows that because of this, I find it was fair for Kroo to decline to refund the £3,000.

Ms M has questioned why Kroo didn't suspend her account due to unusual activity, considering that before the £3,000 transaction was made, she said 10 different transactions had been attempted but declined from her account. And that this activity was not in line with her normal spending behaviour.

In accordance with the law, regulations and good industry practice, banks and building societies have a duty to protect their customers against the risk of fraud and scams so far as reasonably possible. If, in breach of that duty, a bank fails to act on information which ought reasonably to alert it to potential fraud or financial crime, it might be liable for losses incurred by its customer as a result.

Because of this, I've reviewed Ms M's account activity leading up to when the £3,000 disputed transaction was made. I accept the transaction was larger in value than her recent account activity, and I appreciate her comments about the declined transactions she says she saw on the app too. But this in itself doesn't mean a payment should be paused pending further enquiries. People make larger than usual transactions every day, perhaps for a one-off larger purchase, and banks are not expected to pick up on this every time. But also, I need to consider that Kroo effectively did ask Ms M if the transaction was being made by her – or so it thought – by using the approval method via its app. And the app had been in regular use by Ms M in the past too. So whilst I accept the disputed payment made was higher than other spending on the account, to a merchant Ms M hadn't used before, and was part of a wider pattern of declined transactions that Ms M says she saw being made in real-time; I'm not persuaded that it was so unusual that it ought to have appeared suspicious such that Kroo ought to have paused the £3,000 before following its customer's instruction. Although I appreciate Ms M will disagree.

Customer service

Kroo itself accepts that it could've provided better service to Ms M after she reported her fraud claim on 5 September 2024. It appears to have passed the matter to its fraud team for further investigation, but it isn't clear what its fraud team were doing between 5 September and 18 December 2024. I realise Kroo has said fraud investigations can take time, and I suspect it was working fraud claims in date order from when they were received, but I've seen nothing from Kroo to show it was actively working on Ms M's fraud claim between 5 September and 30 October 2024 when it asked her to provide further evidence. Further communications then took place between 6 November and 21 November where Kroo was asking Ms M questions about the scam itself, and then the outcome was provided to her almost a month after that. I know Kroo has apologised for the time it took to investigate Ms

M's fraud claim and has paid her £50 compensation because of this, but I don't think this amount is sufficient to reflect the trouble and upset Kroo's delays would've caused to her.

I fully appreciate that being the victim of fraud would've caused Ms M trouble and upset in itself. And Kroo cannot be held responsible for the actions of the fraudsters. But, at an already distressing time, it's disappointing to see that Kroo took so long to reach an outcome to Ms M's fraud claim, and that she had to chase numerous times for an update. I was sorry to hear that Ms M suffered from sleepless nights and distress as a result of not knowing whether or not she would get her £3,000 back – and the fact it took Kroo over three months to provide Ms M with an answer, would've prolonged this trouble and upset. In my view, unnecessarily. Again, I accept Kroo would've been working its fraud claims in date order, but here, I find the timeframe to provide Ms M with an answer was far too long.

I put to Kroo that I find £250 total compensation would be more appropriate in the circumstances. Kroo responded to say it felt this amount was excessive but made a counteroffer of £150 instead.

Having considered all the circumstances for this complaint, whilst I don't require Kroo to refund the £3,000 to Ms M for the reasons I've already explained, I do find that £250 is appropriate compensation to reflect the trouble and upset its handling of Ms M's fraud claim would've caused to her.

My final decision

My final decision is that I uphold this complaint in part.

I require Kroo Bank Ltd to:

- Pay Ms M a total amount of £250 compensation to reflect the trouble and upset it's handling of her fraud claim caused to her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 4 December 2025.

Lorna Wall
Ombudsman