

The complaint

Mr W says Kroo Bank Limited unfairly refused to refund transactions on his account which he didn't authorise and blocked his account.

What happened

Mr W held a Kroo current account. On 28 September 2024 Kroo restricted the account as Mr W had reported his phone as stolen and said there were transactions on his account which he didn't authorise. Kroo restricted the account and carried out a review.

Mr W explained his phone had been stolen, and he provided a crime reference number. Mr W asked for the device to be removed from his Kroo account. The transactions which Mr W disputed consisted of several declined payments, and two larger payments to a limited company. One payment for £3,000 was to a limited company account which was run by Mr W. However, Mr W highlighted the other payment of £6,000 was to a company with a similar name, but not his. As part of its review Kroo asked Mr W to verify his identity, but Mr W says he didn't provide details as he doesn't recall seeing the request from Kroo.

Mr W raised a formal complaint about Kroo's handling of his account on 17 October 2024 as it had declined to refund the transactions on his account that he had disputed, and it continued to block access to his account.

Kroo issued its final response letter on 6 November 2024. In its response Kroo explained its restriction of the account was in line with the account terms and conditions. It confirmed its review was ongoing, and that it had acted correctly.

Unhappy Mr W referred his complaint to our service. An Investigator gathered the relevant information and in summary, made the following recommendations:

- The ongoing restriction of Mr W's account is unfair and Kroo hasn't provided evidence to support its decision to continue to block access to the account. A copy of Mr W's passport was provided.
- Mr W incurred costs due to the lack of access which Kroo should cover.
- Kroo has failed to show Mr W consented to the £6,000 transaction which hasn't been refunded and the £102.10 transaction to a high street shop.
- Kroo provided poor customer service to Mr W.

In order to put things right the Investigator recommended Kroo do the following:

- Kroo give Mr W access to his account and pay him 8% simple interest per annum on the balance of the account from 6 October 2024 to the date Mr W has access to his money.
- Kroo refund Mr W £136 for the interest he's had to pay because he doesn't have access to his account.
- Kroo refund Mr W the £6,000 card payment and £102.10 to the high street shop and pay him 8% simple interest per annum from 29 September 2024 to the date the funds

- are refunded.
- Kroo pay Mr W £200 in compensation for the trouble and upset caused.

Mr W accepted the recommendation. Kroo didn't respond, so the case was referred to an ombudsman for a final decision.

Whilst the case was awaiting review, Kroo provided further evidence regarding the payment of £6,000. The Investigator also made further enquiries with the beneficiary bank for the payment. Mr W has confirmed his account was unblocked in April 2025 and he was able to access his funds.

I issued my provisional decision on 6 November 2025. Significant additional submissions were made by Mr W, and Kroo provided further evidence. I have now reviewed all of this and provided Mr W a further opportunity to respond to my view of the complaint. I will now issue my final decision on the complaint.

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.

I've included my provisional findings below.

Firstly, I am sorry to see Mr W has had cause for complaint. I don't underestimate the worry and anguish this situation has caused, and also the stress of dealing with the complaint about it.

As Mr W is aware, his complaint was referred to an ombudsman as Kroo failed to respond to the Investigator's recommendations. As noted above, further evidence has been provided. My review of this evidence means I no longer consider it fair or reasonable to uphold Mr W's complaint against Kroo. I appreciate this will come as a disappointment Mr W. I will explain why.

Kroo restricted Mr W's account and refused to refund two transactions which he disputed. One for £6,000 to a business account. The other for the smaller amount of £102.10 to a high street shop. Mr W's complaint is that he wasn't responsible for the transactions because his account had been compromised as his phone had been stolen. So, in order to determine if Kroo acted fairly, I first need to consider the issue of the disputed payments.

The technical evidence provided by Kroo is limited. Also, some of the evidence provided is at odds with Mr W's testimony. Where the evidence is incomplete, inconclusive or contradictory (as it is here), I reach my findings on balance – in other words, what I consider is more likely than not to have happened in the light of the available evidence and the wider circumstances.

Mr W says the transactions were carried out after his phone had been stolen. The relevant law surrounding authorisations are the Payment Service Regulations 2017. The basic position is that Kroo can hold Mr W liable for the disputed payments if the evidence suggests that it's more likely than not that he made them or authorised them, but Kroo cannot say that the use of the card or internet banking conclusively proves that the payments were authorised.

Unless Kroo can show that consent has been given, it has no authority to make the payment or to debit Mr W's account and any such transaction must be regarded as unauthorised. To start with, I've seen the bank's technical evidence for the disputed transactions. The

payment of £3,000 was returned as this was to a business account that Mr W held. The payment in question of £6,000 was made using Mr W's card. Kroo hasn't provided specific information regarding the authorisation of the payment, and technical details regarding the payment. However, I have considered other relevant factors to determine whether it would be fair and reasonable to hold Mr W liable for the transactions.

Mr W says that when his phone was stolen, it was unlocked. Mr W had Face ID enabled on his phone, and he always used Face ID to open the Kroo app. Mr W says the thieves did not ask for his details when the phone was stolen. In order to gain access to the Kroo app the thieves would've had to very swiftly gain access to the app, and then Mr W's card details to make this transfer. It's also unclear why a card payment was made for the £6,000. Mr W didn't report his card as stolen, and although you can see the card details through the Kroo app in order to view this it seems the app would ask for an identity check either through biometrics or by the correct password being entered. Kroo hasn't provided further evidence around this point, but I find it difficult to see how an unknown third party was able to circumvent this and utilise Mr W's card for a transfer.

In addition to this, I've thought about the nature of the transactions. The initial payment of £3,000 was made to an account that was Mr W's business account. Following this the £6,000 payment was to a business with a very similar name to that of Mr W's. This means an unknown third party would've had to steal Mr W's phone, and transfer funds to an account they had no access to, and then to another with a very similar name to that of Mr W's business account. Although I can see smaller transactions were made, and declined, I find this pattern of activity highly unusual.

I have to keep in mind these factors don't match what is typically seen in cases of unauthorised use. Usually if a third party somehow obtains access to an account, they spend the available amount quickly to maximise their gain before the activity is identified by the account holder. The transactions in Mr W's case don't tie in with this pattern. Given the risks associated with the theft, and the short time frame a third party would have to access funds, I find it on balance, unlikely a third party would utilise the account in this way, especially given the funds available.

Kroo has also provided further information regarding its review of Mr W's account. This includes details from the beneficiary bank of the £6,000 payment, which I will refer to as A. In its dealing with A, it was confirmed that a business account was set up with A, which has an almost identical name to that of Mr W's business. This was set up many months before Mr W's phone was stolen. Kroo says it finds it highly unlikely that an unknown third party would have set up an account using Mr W's business details over 8 months prior to the theft. Mr W says he has contacted A and they don't have any record of his email address and it isn't linked to an existing account. I've thought carefully about this, but I am also mindful that Kroo has also recently contacted A. In its response A has confirmed the details for this account haven't been amended in any way since it opened and there is a suggestion the account is linked to Mr W. I find Kroo's recent submissions significant, and it casts doubt on the version of events Mr W has provided.

After carefully reviewing available evidence, the details provided by Mr W don't support the premise that these transactions were carried out by an unknown third party. Based on the evidence I've seen I don't think it's plausible that these transactions were carried out by someone else. Rather the information supports Kroo's position that Mr W provided authority for the transactions.

So, I'm satisfied it was more likely than not that Mr W was responsible for transactions that were reported as fraudulent. This means I don't consider it fair or reasonable for Kroo to compensate Mr W for the financial impact he has claimed.

Responses to my provisional decision

Mr W responded to my provisional findings, explaining in detail why he disagreed with them. Mr W also provided various pieces of supporting evidence. I've considered this all in detail, but will summarise the key points below:

- The individuals who stole his phone must have observed him entering his passcode. With this they would've been able to disable Face ID and reset his Kroo app password. Kroo should provide evidence of any password reset attempts, as this will support Mr W's version of events.
- Mr W had his debit card activated on his phone, he didn't have the physical card.
- Mr W has zero affiliation with the business the funds were transferred to, even though it has a very similar name to his.
- Kroo suspended Mr W's account following the fraudulent activity, which shows its system detected fraud.
- Mr W reported the theft to the police – he has asked for specific details to support his case.
- The Kroo account was mainly used for savings, and the sudden activity shows that the transactions weren't in keeping with the account usage.
- The other banks Mr W reported the fraud to were able to recover funds. This wasn't possible with Kroo as it only offered assistance Monday-Friday, and the theft occurred on a weekend.
- Mr W does not hold an account with A, and he has confirmed that it is carrying out a review of this. Mr W also does not have a card reader for his business so wouldn't have been able to process the transaction.
- The fact the business has a similar name doesn't mean Mr W was involved in the fraud. Our service should contact A and confirm the exact details of the account.
- The whole ordeal has had a significant impact on Mr W – the stress and anxiety has impact him mentally and physically. Although £14,000 of the funds Mr W lost have been recovered, the remaining £6,000 remains a source of worry.

Kroo responded stating it had no further submissions. However, in light of the additional evidence provided by Mr W, I asked Kroo to provide its comments and a final opportunity to provide further technical data to support its decision not to refund the £6,000 transaction.

Kroo provided further evidence, and in its submissions, it made the following key points:

- Any dispute regarding funds transferred to Mr W's other business account should be taken up with it directly.
- Mr W's account remained active following the transactions, with a new device registered the next day.
- The £6,000 transaction was made to a business name which is the same as Mr W's.
- A has confirmed that Mr W's details are linked to the transaction.
- Kroo provided its technical records to show the account activity for the app.
- A has since confirmed that the funds that it received were paid to an account with a third-party bank T.

In light of these submissions the Investigator asked Mr W to provide the statements for his business account held with T. These statements revealed that Mr W's account with T received in a payment from A for around £6,000 in November 2024. Mr W says he didn't note this incoming payment – but it means he has all the funds he says were transferred out of his account without his authority.

Mr W says that this didn't resolve his complaint with Kroo though. Mr W referred to the restriction Kroo had placed on his account and says he was without access to his funds for six months. Mr W says he incurred credit card fees as a result of this and he was caused financial detriment and distress.

I've considered these additional submissions and new evidence in detail, and my provisional decision remains unchanged. I know this will come as a disappointment to Mr W, as he clearly feels strongly about the service he received from Kroo. I will explain why.

The complaint is finely balanced and there are some aspects to it that support Mr W's version of events – such as the evidence he has provided about the police report, his purchase of a new device and the interactions he has had with T and A to try and reclaim his funds. The reality is I can't say definitively what happened on the night in question. So I have to make my decision based on the available evidence and where there's a dispute about what happened, and the evidence is incomplete or contradictory, I must reach my decision on the balance of probabilities – in other words, on what I consider is most likely to have happened in light of the available evidence.

Mr W maintains his device was stolen and the £6,000 transfer made out of his Kroo account was an unauthorised transaction. These funds were transferred to A – to a business account in a name similar to Mr W's business. It's now been established these funds were then sent to Mr W's account with T. This means Mr W's losses are not what was initially outlined. Given this evidence and the fact Mr W is in receipt of the funds he said he had lost, I am unable to find Mr W's overall version of events entirely plausible.

Mr W says the transfer of £6,000 from his Kroo account to his account with T was delayed as he had reported his T account as compromised, so it was blocked. Mr W says the funds were moved by the third party in this way as the T account had payment functionality enabled which would make onward transfers easier. Mr W maintains the activity on his Kroo and T account support his version of events.

But I am mindful of the fact funds were moved to the account with A – which had a name similar to Mr W's business, and this was set up many months before the disputed transactions took place. Although A can process payments for T – I find the details regarding the account opening with A and the delay in funds being released to be important points that cast doubt on Mr W's version of events.

In any event – the key point for me to consider now for Mr W is the delays he experienced with Kroo. The timeline of events shows that Kroo restricted the account whilst it considered the fraud claim Mr W made. This was between September 2024 and April 2025. The review involved gathering information from Mr W and assessing the details of the transactions. The overall timeline of events shows that the account was blocked for a significant period of time – around six months. The exact details of what steps Kroo was taking during the time the account was blocked isn't clear.

I accept that there may have been failings by Kroo in the level of service it provided. Mr W says he was unable to access funds and used a credit card instead and has incurred charges. However, Mr W's statements show minimal spending on this account, and it appears to be used primarily as a savings account. I am also mindful that whilst the account was blocked, interest was still applied at the normal rate. So whilst I understand the block and lack of information would've been frustrating for Mr W, I don't consider compensation for this to be necessary or appropriate given the facts of this case.

I can see in Mr W's recent submissions to our service he has referred to regulatory guidance to support his position. Mr W says Kroo has failed under its treating customers fairly duties

and there has been a lack of transparency with its process. I've thought about these submissions, and I must highlight that when reviewing complaints this service considers a wide range of sources – this includes the law, regulatory guidance and good industry practice. I can assure Mr W that our approach to cases of this nature factors in these various sources and issues. Taking all of this into consideration I am satisfied no compensation is due for the issues Mr W has highlighted.

I know this will not be the outcome Mr W was hoping for, and he will be disappointed with the decision I've reached. But I hope our service's involvement has assisted to some degree – as he now knows he has received back funds he thought he had lost. And I hope my decision provides some clarity around why I won't be asking Kroo to compensate Mr W.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 19 March 2026.

Chandni Green
Ombudsman