

Complaint

Mr G is unhappy that Kroo Bank Ltd didn't refund him after he fell victim to a scam.

Background

In 2020, Mr G invested £250 in what he believed was an opportunity promoted by a well-known public figure. He later found that the website of the firm he believed he was dealing with was no longer accessible. He was also unable to contact anyone associated with the investment. Mr G concluded that his £250 had likely been lost. However, in 2023, he was contacted by an individual claiming to represent the cryptocurrency platform involved in his original investment. This person told Mr G that his funds had been actively invested and were now worth £9,000. They offered to assist him in recovering the money.

Mr G didn't know it at the time, but the individual was not a genuine employee of the platform, but a fraudster. They told him that fees needed to be paid to enable him to withdraw his funds. He was asked to download remote access software to facilitate the payment of those fees, which he did. Under the guidance of the fraudsters, he opened an account with Kroo and used it to make a payment of £9,764 on 7 November 2023.

Shortly afterwards, the fraudsters gave him a further explanation concerning additional fees that he needed to pay. I understand that he was reassured these funds would be returned to him with the proceeds of his investment. On 9 November 2023, he attempted to make a payment of £10,000. This second payment was stopped by Kroo.

Mr G complained via a professional representative that Kroo hadn't done enough to protect him from fraud. Kroo didn't offer to reimburse his losses and so he referred his complaint to this service. It was looked at by an Investigator who upheld it in part. She issued her view on the complaint on 20 February 2025. Kroo didn't respond. She chased it for a response on 10 March 2025 and explained that, in the absence of a response, the complaint would need to be referred to an ombudsman for a final decision.

Since no response was received, she emailed Kroo to explain that the complaint would be passed to an ombudsman and that, if it wanted to make any further submissions or provide evidence, it needed to do so before 14 May 2025. Unfortunately, no response has been received. As no agreement has been reached between the parties, the case has been passed to me to consider and come to a final decision.

Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Our statutory rules¹ provide that we may give case-management directions and fix or extend deadlines and that we may:

...reach a decision on the basis of what has been supplied and take account of the failure by a party to provide information requested;

And that:

If a respondent fails to comply with a time limit, the Ombudsman may: (1) proceed with consideration of the complaint; and (2) include provision for any material distress or material inconvenience caused by that failure in any award which he decides to make.

I've therefore concluded that, in the absence of a response from Kroo to the Investigator's initial view, it is fair and reasonable to proceed on the basis of the evidence we already have and to take account of its failure to reply to the Investigator's opinion.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations (in this case, the 2017 regulations) and the terms and conditions of the customer's account. It's common ground that this payment was authorised and so Mr G is presumed liable for it at first instance.

However, that isn't the end of the story. Good industry practice required that Kroo be on the lookout for account activity or payments that were unusual or out of character to the extent that they might indicate a fraud risk. On spotting such a payment, I'd expect it to take steps to protect its customer. That might be as simple as providing a written warning as part of the payment process or it might extend to contacting the customer to establish the circumstances surrounding the payment.

The Investigator concluded that Kroo ought to have been concerned by the first payment. I'd agree with that conclusion. I acknowledge that Kroo was in a challenging position. It was expected to be on the lookout for payment activity that was out of character. However, since this was a newly opened account, it had no historic data on Mr G's typical spending to serve as a comparator.

Nonetheless, I think a payment of this value is large enough to require some scrutiny on the bank's part. Furthermore, the fact that the funds were paid into Mr G's Kroo account and then almost immediately transferred out raises questions about the purpose of opening the account. This pattern of activity should have prompted Kroo to consider what the account was being used for. I do not think the payment should have been processed without Kroo first contacting Mr G to establish the wider circumstances.

From the evidence I've seen, no such steps were taken here. Kroo did not block the payment or attempt to contact Mr G. However, the fact that I've identified a shortcoming on the bank's part doesn't automatically mean it needs to reimburse Mr G. I have to be persuaded that the shortcoming was a cause of his losses. In other words, I must consider what would've happened if Kroo had acted in the way that I've described.

I note that it did question Mr G about a later attempted payment of £10,000. On that occasion, Mr G provided an explanation which, under scrutiny, was found to be untrue. He claimed he was returning money borrowed from a friend. He was asked to show evidence of the initial transaction. He provided a bank statement from his main account, but an employee

¹ DISP 3.5.8 to 3.5.15 of the Financial Conduct Authority Handbook

of Kroo was able to contact that bank and identify that the transaction in question had never taken place. On balance, I consider it likely that if Kroo had questioned the first payment in a similar way, the same outcome would have occurred and Mr G's losses would have been prevented.

I have also considered whether it would be fair and reasonable for Mr G to bear some responsibility for his own losses. In doing so, I have taken into account what the law says about contributory negligence while keeping in mind that I must decide this case based on what I consider to be fair and reasonable in the circumstances.

While I accept that Mr G believed he was dealing with a genuine firm, I am not persuaded that this belief was a reasonable one. The explanation he was given about the fees and what they were for wasn't particularly persuasive or coherent. Although he says he carried out online research, he didn't check whether the platform offered this service – i.e. helping customers to recover "lost" investments.

He also made the payment to a personal account. That would be unusual if he was dealing with an established business operating a cryptocurrency platform and so I think it ought to have raised some concerns. So far as I can see, the fraudsters didn't offer an explanation to account for this, and Mr G doesn't appear to have asked.

I want to be clear that none of this is intended to diminish the fact that Mr G was the victim of a cruel and calculated scam. I have considerable sympathy for the situation he's found himself in. However, my role is to assess the complaint in its entirety, and having done so, I'm satisfied that a 50:50 split of responsibility fairly reflects the circumstances and the actions of both parties.

Final decision

For the reasons I've explained above, I uphold this complaint in part.

If Mr G accepts my final decision, Kroo Bank Ltd needs to refund 50% of the payment he made in connection with the scam. It also needs to add 8% simple interest per annum to that sum calculated to run from the date it left his account until the date any settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 20 October 2025.

James Kimmitt
Ombudsman