DRN-5593551

The complaint

Mr D complains that Kroo Bank Ltd ('Kroo Bank') suspended access to his account and hasn't returned his funds.

What happened

In September 2024, Mr D contacted Kroo Bank as he couldn't access his account with it. Mr D says he chased Kroo Bank for an update on things several times during September and October 2024 and was eventually told that his account was under review. Mr D says he wasn't advised by Kroo Bank how long the review would take or when he'd be given access to his funds again.

Mr D lodged a formal complaint with Kroo Bank in November 2024. Kroo Bank issued its final response during the same month. In summary, it said:

- Mr D contacted Kroo Bank in September 2024 to query the status of his account and Kroo Bank had informed Mr D that a restriction had been placed on his account to perform an account review and other due diligence

- Kroo Bank was entitled to freeze or restrict accounts under certain circumstances, in line with its terms and conditions

- An account review can take some time to complete, depending on a number of factors, so a specific timescale couldn't be provided and Kroo Bank would get back in touch with Mr D as soon as possible

Mr D referred his complaint to our service. He explained he required his funds from Kroo Bank for everyday expenditure and Kroo Bank had been in touch with him to ask for details of where to transfer his funds. Kroo Bank confirmed it'd got in touch with Mr D at the beginning of February 2025, to confirm his account was going to be closed immediately and it said it had transferred the funds to an external account of Mr D's. Mr D said he hadn't received the funds after he's shared details of the account he wanted them sent to.

One of our Investigators upheld Mr D's complaint. They found Kroo Bank hadn't provided sufficient evidence to our service to show it acted fairly when deciding to block Mr D's account or to show the funds had been returned to Mr D. And that Kroo Bank caused undue delays in its review of Mr D's account. They recommended Kroo Bank pay Mr D 8% simple interest on his account balance from the date the blocks were applied to Mr D's account to the date it returned his funds. And that Kroo Bank pay £100 compensation for the trouble and upset caused to Mr D.

Kroo Bank said Mr D's funds had already been returned at the beginning of February 2025, and it'd paid him a small amount of interest over the period his account was under review. Kroo Bank agreed to pay the remaining interest amount it'd worked out it owed to Mr D, plus the compensation of £100.

Our Investigator asked both parties for additional evidence as Kroo Bank said it'd sent the

funds to Mr D, but Mr D disputed receiving them. Mr D provided account statements for his external account from February to mid-May 2025, showing he hadn't received the funds. Kroo Bank didn't provide a response regarding this issue.

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.

I've decided to uphold Mr D's complaint. I'll explain why.

Account providers in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means providers need to restrict, or in some cases go as far as closing, customers' accounts.

Kroo Bank has provided our service with its reason for blocking Mr D's account, which I have accepted in confidence – an evidential power afforded to me under the Dispute Resolution Rules (DISP) which form part of the Financial Conduct Authority's handbook. I have carefully considered the nature of the information Kroo Bank relied on and whether that information was sufficient to restrict Mr D's account and withhold his funds.

Our Investigator and more recently I have made enquiries to Kroo Bank to explain why it took the actions it did. I don't find Kroo Bank has provided sufficient evidence to support its reasons for blocking Mr D's account and retaining his funds. This service has the power to request evidence of this nature under the dispute resolution rules (DISP) and I'm not persuaded that Kroo Bank should be excluded from complying with these rules on this occasion. Given the lack of clear rationale for the length of time the block was in place, even if Kroo Bank did have fair and reasonable grounds for blocking the account, the lack of information and evidence from Kroo Bank means I can't be satisfied that Kroo Bank has treated Mr D fairly by blocking his account and holding on to his funds.

Mr D has also recently informed me that Kroo Bank has returned £1,504.57 to him on 18 August 2025 and I've seen Mr D's bank statements which confirm this. I find Mr D was deprived of use of the funds in his account and Kroo Bank should pay simple interest at 8% a year calculated on the balance of his account from 16 September 2024, when Kroo Bank restricted Mr D's account, to the date the funds were returned.

Mr D has explained he's been financially impacted by not having access to his funds. I understand this was a stressful situation to be in and I can see he did use the account for occasional everyday spending, although I don't see evidence to demonstrate this was his main account. I find £100 is a fair amount of compensation for the distress and inconvenience caused to Mr D.

Putting things right

I require Kroo Bank Ltd to:

- Pay Mr D simple interest at 8% a year calculated on the balance it held for Mr D from 16 September 2024 to 18 August 2025*

- Pay Mr D £100 for the distress and inconvenience it caused to him.

* If Kroo Bank Ltd considers that it is required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr D how much it has taken off. It should also give Mr D a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons above, I have decided to uphold this complaint. Subject to Mr D accepting my final decision before 15 December 2025, Kroo Bank must pay him compensation according to my instructions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 15 December 2025.

Khadijah Nakhuda
Ombudsman