

The complaint

Mr O complained because Kroo Bank Ltd:

- didn't refund him for eight transactions totalling £400 which he said he didn't make;
- didn't investigate his fraud claim promptly, and kept his account restricted during this time.

What happened

On 20 February 2024, Mr O contacted Kroo. He'd seen eight transactions on his account which he told Kroo he hadn't made. They were to two different betting firms. Mr O said he didn't use betting sites, and he also told Kroo that he was unhappy that Kroo had allowed the payments to go through.

Kroo told Mr O it would investigate. But months went past, and although Mr O repeatedly chased Kroo, and complained, he didn't get an answer. So he contacted this service.

Mr O then received a response from Kroo in late September. Kroo's email said that the complaint points were that Mr O was unhappy about were:

- the time taken to investigate his 20 February fraud claim;
- the fact that his account remained restricted; and
- it hadn't responded to his February complaint.

Kroo said that because of a misunderstanding, it hadn't raised a complaint in February. It said it had done so in late July.

Kroo accepted that the length of time it had taken to investigate Mr O's claim was excessive, and there had been the added inconvenience of having his account restricted. It also accepted that it hadn't provided updates despite Mr O's chasing for a response. Kroo said that it had escalated the matter to its investigations team, which should be in touch with Mr O shortly. It said it was willing to pay Mr O £100 to acknowledge the time it had taken.

Mr O wasn't satisfied, and told us he wanted to continue his case with us. He said Kroo's final response lacked clarity about the outcome of its investigation. It hadn't provided details about steps taken to recover the funds, or whether they'd found the perpetrator. Nor was there any explanation of the circumstances that led to the compromise of his account.

Our investigator upheld Mr O's complaint. She had asked Kroo for much more evidence than it had sent, including evidence about the payments' authorisation. Kroo hadn't replied. She noted that Mr O had reported the transactions promptly, as she'd expect a victim of fraud to have done. She also pointed out that Mr O's case had been going on for almost a year. He still hadn't had his money back, and his account was still restricted when it shouldn't have been restricted, which prevented Mr O from being able to use it. She said that Kroo should refund Mr O the £400, with 8% interest. But she thought the £100 compensation for distress and inconvenience, which Kroo had offered Mr O, was fair.

Kroo didn't reply to the investigator's view. Nor did it send any of the information which the investigator had requested.

So Mr O's complaint was referred for an ombudsman's decision.

My provisional decision

I issued a provisional decision on this complaint. This was because I'd come to a different conclusion to the investigator about the amount of compensation. Issuing a provisional decision gave both sides the opportunity to comment on it, by the date set, before I issued a final decision.

Before issuing the provisional decision, I considered all the available evidence and arguments to decide what would be fair and reasonable in the circumstances of this complaint.

In my provisional decision, I explained that the final response which Kroo sent to Mr O in September 2024 focused on time taken to investigate his disputed transactions claim. But it didn't deal with the most important point, which is about a refund for the transactions which Mr O said he hadn't made. I dealt with the refund point first.

Whether Mr O is entitled to a refund for the disputed transactions

There are regulations which govern the outcome of disputed transactions cases. The relevant regulations are the Payment Services Regulations 2017.

There are two stages when considering disputed transactions. The first stage is authentication. Authentication is the technical process. This comes first and is essential before going on to consider whether or not the customer authorised the payments. Authentication is set out in Section 75, which says:

"Evidence on authentication and execution of payment transactions

75.—(1) Where a payment service user—

(a)denies having authorised an executed payment transaction; or

(b)claims that a payment transaction has not been correctly executed,

it is for the payment service provider to prove that the payment transaction was authenticated, accurately recorded, entered in the payment service provider's accounts and not affected by a technical breakdown or some other deficiency in the service provided by the payment service provider."

Here, the "payment service user" is Mr O, and the "payment service provider" is Kroo. So the regulations say that Kroo has to meet the requirements of section 75 and provide the relevant authentication evidence about the disputed payments, as the first stage.

If the payment service provider supplies this essential first stage information, the regulations then set out the rules about the second stage, authorisation. Authorisation is about consent, and who carried out the transaction. The same Regulations say, in general terms, that the bank is liable if the customer didn't authorise the payments, and the customer is liable if they did authorise them. But authentication, the technical part of the payments, has to be proved first, and it's the responsibility of Kroo.

Here, Kroo hadn't provided the authentication evidence which this service asked for in relation to the disputed transactions on Mr O's account. After Kroo submitted its initial file to us in September 2024, our investigator asked for much more information. Kroo hadn't sent any of this information. Nor had it replied at all since that date, even after the investigator sent her view. I checked, and this service's emails all went to the Kroo address to which the

original file request went. Kroo did reply to that, so I was satisfied that it would have received the emails requesting all the information.

So I found that Kroo didn't meet the requirements of the Payment Services Regulations regarding authentication. It didn't provide us with suitable evidence about the authorisation stage either. But as proving authentication is the first responsibility of the payment service provider, and Kroo has failed to do that, I said that I intended to uphold Mr O's claim for a refund of the eight disputed transactions totalling £400. Kroo should also pay Mr O interest on this £400 at 8% simple from 20 February 2024 to the date of payment.

Compensation for distress and inconvenience

I saw evidence showing that Mr O chased Kroo repeatedly for a response to his complaint. He rarely got any response at all, and when he did, it wasn't helpful. Kroo's final response letter acknowledged that it had failed to send updates, and it accepted that the length of time it had taken to investigate Mr O's claim had been excessive. Kroo also placed restrictions on the account so Mr O couldn't use it. I saw no evidence that it has corrected this.

Most of all, Kroo's final response letter didn't deal at all with the issue of whether or not it accepted that the transactions had been fraudulent and whether or not it would refund Mr O. That was already seven months after Mr O raised his complaint.

Shortly before our investigator issued her view, Mr O confirmed that he still hadn't heard from Kroo and hadn't had a refund. At the time of my provisional decision, it had been 15 months since Mr O complained to Kroo, and Kroo hadn't responded further. So Mr O had had the inconvenience and upset of this case for far too long. I could see from the chat messages that he told Kroo about the impact the delay was having on his mental health. Mr O received very poor service from Kroo, and he must have felt he'd never get his money back.

Our investigator considered that the £100 which Kroo offered Mr O in September 2024 was fair. But I considered that Kroo's excessive delay of 15 months in considering whether Mr O should have a refund for the disputed transactions, and its failure to deal with the account restriction or his complaint for 7 months, meant that £100 doesn't fairly reflect the distress and inconvenience which it caused him. So, I said that subject to responses to this provisional decision, I intended to order Kroo to pay Mr O a further £150, making £250 in all.

My provisional decision said that I intended to uphold this complaint, but with increased compensation for the distress and inconvenience which Mr O suffered. I said I intended to order Kroo Bank Ltd to pay Mr O:

- £400 to refund him for the eight disputed betting transactions; and
 - Interest at 8% on £400 from 20 February 2024 to the date of settlement; and
 - A further £150 compensation for the distress and inconvenience Kroo caused Mr O.
- This £150 is in addition to the £100 it has already paid him, making a total of £250.

I also said that when both sides replied to my provisional decision, they should confirm whether or not Kroo's September 2024 compensation payment of £100 had been paid to Mr O. I also asked Mr O to confirm where he wanted the payment to be made.

Responses to my provisional decision

Kroo didn't reply.

Mr O said that Kroo had now paid him the disputed £400, and £35.24 interest. He said it had also paid him the £100 which it had offered him. Mr O also provided details of the bank account to which he wants the extra compensation to be paid, which we'll forward to Kroo.

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 reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I consider my provisional decision was fair and reasonable in all the circumstances of this complaint.

My final decision

My final decision is that I uphold this complaint.

Mr O has confirmed that Kroo Bank Ltd has now paid the disputed £400, plus interest. If this had not already been paid, I would have ordered Kroo to pay these sums.

That leaves the compensation for distress and inconvenience. I consider a fair and reasonable figure is a total of £250. Mr O confirmed that Kroo has paid him £100, leaving £150 still to be paid.

I therefore order Kroo Bank Ltd to pay Mr O a further £150 compensation for the distress and inconvenience it caused him, making a total of £250 in all.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 7 July 2025.

Belinda Knight
Ombudsman