

The complaint

Mr C is unhappy that Kroo Bank Ltd refused to refund him for transactions he said he didn't authorise.

What happened

Mr C contacted Kroo to dispute eight transactions made on 24 September 2024 which he said he didn't recognise. The transactions totalled £1,588 and were made up of four transactions of £199 and four of £198 and were all made to the same retailer.

Mr C said he became aware of the transactions on the day they were made and immediately contacted Kroo to report the transactions as unauthorised and to have his card frozen. Mr C told Kroo that he'd sold an old phone which previously had his Kroo application download on it, but the phone was wiped prior to being sold.

Kroo looked into the matter but didn't uphold Mr C's complaint or refund him for the transactions because they were satisfied the transactions were authorised.

Unhappy with Kroo's response, Mr M referred his complaint to our Service.

Mr C told us that he was out of the country whilst the transactions took place and has provided evidence of this. Mr C explained that he'd only used one brand of digital wallet but the disputed transactions were made using a different brand, I'll call A. Because of this, Mr C has said he couldn't have made the transactions and they were therefore unauthorised. Mr C also told us that nobody else had access to his phone, card or Kroo bank account.

Mr C was also unhappy with the amount of time Kroo took to look into his dispute.

An Investigator initially upheld the complaint on the basis Kroo had failed to evidence Mr C had authorised the transactions. As a result, the Investigator recommended Kroo should refund the value of the eight disputed transactions with 8% interest. They also said that Kroo should pay Mr C £100 compensation for the poor service he'd received.

Mr C accepted the Investigator's view but Kroo didn't reply and so the complaint was referred for a decision. Kroo later replied and provided a copy of a text message sent to Mr C's number which they said contained the one-time-passcode (OTP) used to set up the digital wallet, A. Kroo explained that there'd previously been some confusion as a digital wallet was also set up for a different brand around the same time as A. Mr C then provided a screenshot of his text messages which showed he received an OTP to set up A, on 31 August 2024.

The Investigator then issued a second opinion in which they concluded that Kroo didn't need to take any action as Mr C likely authorised the transactions as an OTP was required to set up the digital wallet. The Investigator also concluded that the time taken for Kroo to look into the dispute was reasonable.

In response, Mr C reiterated that he'd never set up a digital wallet with A and hadn't shared an OTP. As an agreement couldn't be reached, the complaint was passed to me for a decision.

After reviewing the file, I wrote to Kroo to explain why I was minded to reach a different outcome to the Investigator and gave Kroo a final opportunity to provide more information.

What I said to Kroo

I explained to Kroo that I'd not seen sufficient evidence to show the payments were authenticated or that they'd been carried out using A. For this reason, I told Kroo that I was planning to uphold Mr C's complaint and direct them to pay:

- £1,588 to refund the disputed transactions made on 24 September 2024
- 8% simple interest calculated from 24 September 2024 to the date of repayment

In response, Kroo provided evidence taken from their internal system which they said showed how the eight transactions were authenticated which I've considered below.

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.

When deciding this complaint, I have given regard to the Payment Services Regulations 2017 (PSRs 2017).

Section 75 of the PSRs 2017 state:

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.

Mr C's complaint is that he didn't authorise the eight transactions and so under the relevant regulations the onus is on Kroo to demonstrate authentication. This means Kroo needed to evidence how the transactions were made using one of the payment tools issued to Mr C.

Kroo have explained that the disputed transactions were authenticated using A. When a card is added to a digital wallet it's referred to as a 'token'. There is also a unique token ID created which enables a business to be able to identify when a card was added to a wallet as well as what transactions are made using it. To show authentication, I'd have expected Kroo to have provided evidence showing Mr C's card being added to A, the unique token ID that was created as a result and evidence showing the token ID was used for the eight disputed transactions.

From the evidence provided by Kroo, I note the following:

- Kroo have evidenced that Mr C's Kroo card was added to a digital wallet in August 2024
- Whilst Kroo have shown when the card was added, Kroo haven't provided evidence showing what the unique token ID is
- Without the unique token ID, there's no evidence showing the token created in August 2024 was used to make the eight disputed transactions

Based on the above, I'm not satisfied Kroo have shown how the transactions were authenticated

As Kroo haven't been able to demonstrate exactly how the payments were carried out - or even if they were correctly - it's difficult for me to conclude Mr C authorised them. I also find

Mr C's argument that he didn't have the A app on his phone, and the fact he contacted Kroo to raise the transactions on the same day persuasive. For this reason, on balance, I don't think Mr C authorised the transactions.

I understand Mr C is also unhappy with the time Kroo took to investigate. I appreciate Mr C was worried about the money he'd lost and so it would likely have been an anxious wait whilst Kroo looked into things, but I don't think the investigation was unreasonably delayed. I can see it took Kroo about a month to investigate the eight transactions which I don't find an unreasonable timeframe.

For the reasons I've outlined above I can't safely conclude Mr C's authorised the disputed transactions. It follows, I'll be directing Kroo to refund them plus 8% interest for the time he's been deprived of access to the funds.

My final decision

My final decision is that I uphold Mr C's complaint.

To resolve Mr C's complaint, I direct Kroo Bank Ltd to pay Mr C:

- £1,588 plus 8% simple interest from 24 September 2024 to the date of repayment

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 6 February 2026.

Freyja Dudley
Ombudsman