

The complaint

Mrs R complains that Kroo Bank Ltd (“Kroo”) won’t refund transactions made as part of a scam.

What happened

On 28 August 2024, Mrs R received an email purporting to be from a well-known parcel delivery company. It said it had tried, unsuccessfully, to deliver a parcel to her. Mrs R says she was expecting a delivery around the time, so she attempted to pay a small re-delivery fee using a few debits cards. But the payment wasn’t successful.

The following day, on 29 August, Mrs R received a call from a ‘No Caller ID’ number from someone claiming to be from her bank “H”. They told her there had been fraudulent activity on the account and it needed to be secured. The caller then asked Mrs R if she held accounts with other providers and she mentioned she had an account with Kroo. Mrs R was informed that Kroo would be immediately notified of the situation, and she should expect to receive a call from them. Moments later, Mrs R received a call from someone claiming to be from Kroo.

Under the pretext of safeguarding the funds in her Kroo account, the caller obtained Mrs R’s card details. A savings ‘Pot’ was also created with Kroo which she understood was where her money would be moved for safekeeping. Under the caller’s instructions, she approved four transactions to move her money to this Pot – I’ll refer to the name it was given as “R1”. But the steps Mrs R took meant that debit card payments were made to a money remittance service provider, also called R1.

The caller told Mrs R that as only £10,000 could be transferred per day, they would phone her back the following morning to secure the remaining funds. When they phoned back the next morning, Mrs R approved further transactions thinking she was letting the caller transfer her money to the newly created Pot. However, in reality, debit card payments went to merchants that also provide money remittance service – I’ll refer to these merchants as “M” and “T”.

Mrs R has told our service that she questioned why the individual amounts were lower than the day before. She also questioned why some transfers had been declined. In response, the caller sent her a One Time Passcode (OTP) which she says gave her the reassurance that everything was legitimate. Mrs R also queried why the transfers hadn’t appeared in the Pot, and caller told her that this was because the transactions were going through security checks.

Mrs R says towards the end, the call became very rushed, and she felt something wasn’t right. The caller said they would call her back again the following day. But as she had become suspicious, Mrs R phoned H immediately after the call ended. H told her that her account with wasn’t frozen as she’d thought. The agent also said it was likely that she’d been scammed. It was then that Mrs R realised what had happened and she contacted Kroo.

The following disputed payments were made using Mrs R's Kroo debit card –

	Date	Merchant	Amount
Payment 1	29 August, 17:45	R1	£2,700.00
Payment 2	29 August, 17:47	R1	£2,691.99
Payment 3	29 August, 17:48	R1	£2,681.99
Payment 4	29 August, 17:50	R1	£1,901.99
Payment 5	30 August, 09:47	M	£1,000.00
Payment 6	30 August, 09:49	M	£995.00
Payment 7	30 August, 09:51	M	£990.00
Payment 8	30 August, 10:01	T	£1,000.00
Payment 9	30 August, 10:02	T	£990.00
Payment 10	30 August, 10:04	T	£500.00
Payment 11	30 August, 10:06	M	£900.00
Payment 12	30 August, 10:08	M	£347.00
Payment 13	30 August, 10:14	T	£1,000.00
Payment 14	30 August, 10:15	T	£990.00
Payment 15	30 August, 10:16	T	£510.00
Payment 16	30 August, 10:18	T	£300.00
Payment 17	30 August, 10:21	T	£450.00

Over the next few weeks, Kroo looked into Mrs R's claim and ultimately declined it. Unhappy with this outcome, she made a complaint before referring it to our service. Mrs R expressed concerns about the bank allowing several payments to be made without carrying out any checks.

I issued a provisional decision last month and gave reasons for why I intended reaching the same overall outcome as the investigator but planned on making a different redress award. I said:

"Were the payments authorised?"

I can see Mrs R told our service that she only gave the last four digits of her Kroo card to the scammer, and that she didn't create the Pot. But having reviewed the information that Kroo ultimately provided, including a recording of the call she made to the bank on 30 August, I can see that Mrs R told Kroo she disclosed full card number and associated security details to the scammer. She also mentioned setting up the Pot under their instructions. It might be that Mrs R's recollections have faded over time. But I've placed more weight on the contemporaneous evidence available.

In reaching that decision, I've kept in mind that the technical evidence provided by Kroo shows only one device was registered to Mrs R's app. And given the device's operating software, it couldn't have been controlled remotely even if Mrs R had inadvertently installed a remote access application.

Mrs R hasn't disputed the investigator's conclusion that the payments were authorised. For completeness, I'm also satisfied that as she was aware that money was going to leave her Kroo account, and the technical evidence shows that majority of the transactions were approved by her via 3DS, it is fair for Kroo to treat all the disputed payments as authorised. This means that under the Payment Services Regulations 2017, which is the relevant legislation here, Mrs R would be considered liable for losses suffered in the first instance.

Fraud prevention

There are circumstances when it might be appropriate for payment service providers to take additional steps before executing an authorised payment transaction. For instance, when there are grounds to suspect that the transaction presents a fraud risk.

The investigator didn't have the authentication data at the time of reaching their view. So, the order of the payments they listed in their assessment was as they appear on Mrs R's account statements. Kroo has since provided the authentication information and so, in the table above, I've listed the payments in the order that they were authorised.

I've reviewed Mrs R's account statements, and the payments made as part of the scam. In the year leading up to the scam payments, I can see that Mrs R had made just one payment – shy of £1,000 – out of her account.

I don't think Kroo ought to have found Payment 1 (see table) suspicious to the point it ought to have made enquiries. This is because it's not that uncommon for one-off larger value payments to be made every now and then. However, by the time Payment 2 was attempted, a pattern of increased spending activity had begun to emerge. I'm also mindful that this payment was authorised only two minutes after Payment 1. I consider a rapid increase in the spending (including the amounts involved) ought to have given Kroo cause for concern that Mrs R might be at harm from financial risk due to fraud. In the circumstances, I think the bank should have taken additional steps and made enquiries with Mrs R to check that everything was above board before allowing the payment to go through.

Had the bank questioned Mrs R, I've no reason to doubt that she would have been honest with her answers. There's nothing to indicate that she'd been coached by the scammer into providing misleading information if asked, or to ignore any scam warnings. Nor is there any suggestion that Mrs R was told she couldn't trust her bank.

So, in all the circumstances of this case, on balance, I think it's more likely than not that Mrs R would have explained everything leading up to the payment and why she'd approved the payment in question. From her response, it would have been apparent to Kroo that she was falling victim to a scam. And I think that Mrs R would have stopped in her tracks had the bank provided an appropriate scam. As such, I find that Kroo can be held liable for the losses Mrs R suffered from Payment 2 onwards.

Contributory negligence

There's a general principle that consumers must take responsibility for their decisions. And I've duly considered whether Mrs R should bear some responsibility by way of contributory negligence.

Mrs R fell victim to a sophisticated scam. She was targeted by scammers who knew enough about her, after she entered information on the re-delivery link, to tailor their approach accordingly and make the scam convincing. It's difficult to overestimate the stress that can be caused by bank impersonation scam calls, where an environment of panic is created, and the victim feels pressured into acting quickly to keep their money safe. So, when the scammer phoned Mrs R on 29 August and tricked her into giving the savings Pot the same name as a genuine money remitter, it is

understandable why in the heat of the moment she followed their instructions and completed 3DS verification without picking up on this.

However, I think Mrs R should bear some responsibility for the payments that happened on 30 August. This is because an overnight break in the scam payments created a natural opportunity for Mrs R to reflect on what had allegedly happened to her accounts. There was no pressure to act quickly and follow instructions in the heat of the moment. I think it's reasonable to have questioned why all of the money in her Kroo account couldn't be moved to a secure account instead of just £10,000 if she was speaking to the genuine bank.

Also, the following morning, Mrs R noticed declined transactions. She also questioned the smaller amounts that were being transferred. In response, the scammer sent her a text message containing an OTP. I've seen a copy of this message, and the sender was her other bank H not Kroo. I think this should have rung alarm bells considering Mrs R was led to believe she had been speaking Kroo. It's also worth noting that the content of the text message containing the OTP made it clear that the code was for making a payment from her card associated with her account with H.

I understand that Mrs R did question the scammer about the funds not crediting her Pot. While I appreciate that she was persuaded by the scammer's response, I'm not convinced that the response was compelling.

I therefore think that Mrs R's actions on 30 August contributed to her loss that day, such that she should share responsibility with Kroo. And I'm satisfied that a 50% deduction is fair and reasonable in the circumstances.

Recovery

Once the payments were authorised, Kroo wouldn't have been able to stop them from being collected by the merchants. That's the case even where they appeared as 'pending' – that generally means that the payment has cleared and is waiting to be collected by the merchant.

As the payments were made using a debit card, I've considered whether Kroo should have raised a chargeback, and whether it would likely have been successful, once it was notified of the scam. Here, the payments were made in connection with money remittance, and it's a common feature of the scam Mrs R has described that the merchant provides the service as instructed by the scammer, i.e. transferring funds. So, on balance, I don't think it's likely that Mrs R could have recovered her funds in this way.

Distress and Inconvenience

The investigator recommended Kroo to pay £100 compensation to Mrs R for how it handled her scam claim. I don't think a non-financial award is warranted for failing to intervene when the payments were made, or for leaving Mrs R without her funds for longer than should have been necessary – that is what the 8% compensatory interest the investigator recommended is for.

But having reviewed Kroo's submissions, which were made following the investigator's assessment, and the timeline of events, I agree that the claim could have been handled more effectively. There are noticeable periods where there appears to be no progress made on the investigation. During this time, Mrs R ended

up making several phone calls chasing for an update. Ultimately, she made a complaint about the lack of progress. It was only then that further questions were asked of her before her claim being subsequently declined.

At a time when Mrs R was understandably already in distress because of the scam, the lack of updates from Kroo would have given her more cause for worry. And when Kroo reached an outcome on her claim, I can't see that it provided a clear explanation for its decision to decline it. This would have naturally added to her frustration.

I find that Kroo's handling of Mrs R's scam claim fell short of what is expected. Having thought carefully about this, I consider an amount of £100 is fair compensation in recognition of the service failures."

I gave both parties an opportunity to provide any further comments or evidence for my consideration.

Mrs R said she understood and respected my reasoning for intending to award only 50% of the payments made on day two. But if Kroo had acted as it should have done on day one, then there would never have been a day two and no funds would have been lost on day two. Mrs R asked if she could be reimbursed the full amount, or a lower deduction could be made for the refund on day two.

Kroo acknowledged the provisional decision when a chaser was sent. It said it was reviewing this as a priority and would get back as soon as possible. However, we've not heard back and the deadline Kroo was given to respond to the provisional decision has now passed. So, it's appropriate to progress matters.

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 thank Mrs R for her response which I've carefully considered. While I understand the point she's trying to make, her comments haven't persuaded me to depart from my provisional findings.

This is because I must consider the actions of both parties involved. I've found that Mrs R failed to take reasonable steps on 30 August 2024 which could have prevented the payments made that day. As her actions contributed to her losses, I remain satisfied that a 50% deduction for the payments made that day is fair.

Putting things right

To put matters right, Kroo Bank Ltd needs to:

- Refund 100% of Payments 2-4 (inclusive) made on 29 August 2024,
- Refund 50% of Payments 5-17 (inclusive) made on 30 August 2024,
- Pay simple interest at 8% per year on the individual refunded amounts (less any tax lawfully deductible), calculated from the date of payment to the date of settlement,
- Pay £100 compensation for the distress and inconvenience Mrs R experienced

My final decision

For the reasons given, my final decision is that I uphold this complaint. I require Kroo Bank

Ltd to put things right for Mrs R as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 8 August 2025.

Gagandeep Singh
Ombudsman