

The complaint

Mr S is unhappy that Kroo Bank Ltd restricted his account and returned disputed funds to the sender.

What happened

On 28 September 2023 Mr S sold crypto-currency on a peer to peer platform and accepted payment of £520 from the buyer. The buyer later made a claim they'd been the victim of a scam and Kroo restricted the account on 29 September 2023 while it looked into this further.

Kroo requested information about the transaction from Mr S which he provided. Despite having received this, the account remained restricted, and Mr S was unable to access the balance of around £7,500, until 28 August 2024 when Kroo closed the account without notice. During this almost 12 month delay Mr S didn't receive any meaningful contact from Kroo regarding his account or the funds.

Mr S provided details of where he wished the account balance to be paid and Kroo returned the account balance less the disputed £520 which it had returned to the sender. Mr S complained about this, but Kroo responded and said the correct process had been followed.

Our investigator looked into things and upheld the complaint. Mr S accepted their view but Kroo didn't respond so the complaint was passed to me. I considered things and wrote to Mr S and Kroo confirming that whilst I broadly agreed with the outcome the investigator had reached I felt further compensation was due. In summary I said:

- Despite numerous requests from our service, Kroo hadn't provided sufficient evidence to demonstrate it had acted fairly in returning £520 of Mr S's money to source or ignoring Mr S's requests for an update. I also didn't think I'd seen sufficient evidence to support why Kroo had withheld around £7,500 of Mr S's money for around 12 months.
- Because I didn't think we had evidence to support Kroo's position on these points, I said it should reimburse Mr S the £520 that was returned to source. I agreed it should pay compensation to Mr S. But I increased this amount to £600. This amount was to compensate him for the distress and inconvenience of not receiving any answer or information about what had happened to his money, including the approximately £7,000 not in dispute, for around a year. It also took into account the time these funds had been withheld from Mr S and the financial loss he'd likely suffered as a result.

Kroo responded to my findings and didn't accept them. It said:

- It received a request from a third party bank to return the £520 to source and so it was required to do so.
- It didn't accept that it had failed to respond to Mr S and believed it had kept in

contact with him throughout its investigation, however, it also accepted that restrictions were in place for longer than they should've been so some compensation was payable, but not the £600 I'd suggested. It said it would agree to the £250 previously recommended by the investigator and previously accepted by Mr S.

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.

Has Kroo acted reasonably in restricting the account

Banks and financial businesses have important legal and regulatory obligations they must meet when providing accounts to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. It's not unreasonable for a business to restrict an account while it investigates concerns it identifies. In this case it isn't in dispute that a claim was made against one of the payments Mr S received into his Kroo account. So it's reasonable Kroo investigated it and restricted the account while it did this.

But, I haven't seen sufficient evidence to support it has acted fairly and reasonably in restricting the account for the length of time it did. I'd usually expect an investigation of this kind to be resolved within around 10 days of receiving the information requested. Kroo hasn't been able to provide any explanation for this delay or any evidence to support it was necessary. So it unfairly withheld Mr S's funds for an unreasonable amount of time.

I'd also note that during this extensive delay Mr S has evidenced he repeatedly contacted Kroo to try and find out more about the funds that had been withheld from him. And whilst Kroo has now provided evidence it believes demonstrates it kept in contact with him, I don't agree. Numerous attempts at contacting Kroo were ignored for the 11 month period Mr S's money was withheld. And when Kroo did respond these were largely automated holding responses.

So it wasn't providing Mr S with any meaningful information or update. And, as I've already said above, it hasn't provided any explanation or evidence to support this delay was justified.

So, I remain of the view that compensation is due for the service Mr S has received. But, I also believe Kroo needs to compensate Mr S for the time he's been deprived of his money and I've said more about this below.

Whilst I don't think Kroo has justified the extensive delay in this case, given the risk identified I'm satisfied it wasn't unreasonable that it made the decision to close Mr S's account, although I'm not persuaded it has demonstrated it was acting reasonably in doing this without notice. That said, this account wasn't Mr S's main account, and the main inconvenience it caused was the subsequent withholding of his money, which I've addressed further here and taken into account when deciding what compensation is appropriate in this case.

Was Kroo acting fairly in returning funds to the sender

Whilst I accept Kroo was contacted by a third party bank in relation to the payment in question, fraud reports or indemnities don't create specific obligations to return any funds. The best practice standards say they should be returned, subject to several caveats such as if the recipient can demonstrate they have a credible claim to the funds.

Mr S has provided our service, and Kroo, with evidence he agreed a sale with the person making the fraudulent claim. He's also provided evidence the trade took place using a secure third party service where the funds were held until both parties met agreed upon conditions. He's provided evidence he regularly traded crypto-currency and has a history of having done so for over five years. He's provided evidence he has good feedback from other buyers on the platform he uses. Am satisfied this evidence was available to Kroo had it been requested.

Kroo has said Mr S didn't provide all the evidence it requested because it asked Mr S for his chat history with the person he was selling to and that made the claim. But Kroo's own chat history shows that when it requested this in September 2023, Mr S confirmed the platform that held the chat history told him this could only be provided to Kroo or another third party bank as part of its investigation. Mr S informed Kroo of this and that it would need to contact it directly. He provided the relevant information that would allow Kroo to do this and chased this up to check Kroo had contacted the relevant party. Kroo doesn't appear to have taken any action in response.

Mr S has also provided evidence of the conversation between him and the platform, where it confirms it will only provide the communication to the third party, evidencing he was unable to get this evidence directly.

Kroo then didn't meaningfully respond to contact from Mr S until January 2024 when it asked for the same information again. Mr S again asked the platform which told him by this time the information had been deleted. Given Kroo was the party best able to obtain this and failed to do so, and given its delays caused the loss of this information, I don't think Mr S is liable for this.

If Kroo wasn't able to obtain this information for some reason, it should've told Mr S this while it remained available.

I have considered the other information Kroo has provided. But I don't think the notes provided by Kroo, detailing the scam the sender says they fell victim to, explain why Kroo believes this relates to Mr S's trade of crypto-currency with the individual involved or why it believes he has direct involvement in any scam.

Overall, I don't think Kroo has explained or demonstrated why it's satisfied the funds should've been returned to the sender in this particular case despite the sufficient opportunity it's been given to do so. I've reviewed Kroo's terms and conditions and I haven't seen any provision that allows it to return funds in the circumstances I've outlined here. There is a provision for returning funds if someone pays money to an account by 'mistake' – but in this case there hasn't been a mistake. The funds have seemingly been paid to Mr S deliberately and later disputed.

Overall I don't think Kroo has acted fairly and reasonably in removing the funds from Mr S's account. So it should return the £520 and pay compensation to acknowledge the financial loss Mr S has suffered as a result of being deprived of this money and the other funds in his account.

Putting things right

Kroo should:

- Pay Mr S the £520 it has unfairly withheld from him
- Pay Mr S £600 for the distress and inconvenience caused and the loss of

interest he's likely incurred

Kroo has said the amount of distress and inconvenience in this case is unreasonable. It hasn't said much more about this, but it's not clear if it's taken into account that much of this award is due to the interest Mr S has likely lost out on as I've previously explained.

Mr S has explained that the money in his Kroo account had been intended for a house purchase. And he's provided evidence that due to being deprived of the funds he had to borrow money from family to complete the purchase. He's also explained that whilst there was a significant balance in his Kroo account, he'd intended to move the money to a savings account while waiting for the purchase to complete which doesn't seem implausible.

He's provided evidence to support he held a savings account and he's said he opened this account in January 2024 after shopping around for the most suitable account, that allowed easy access to the money, and offered a good rate. He no longer has evidence of exactly what the rate was, and this was variable. So it's difficult for him to provide evidence of exactly what interest would've been earned.

But, taking into account that a balance of around £7,562.33 would've been in an interest-bearing account from January 2024 when it was opened, like Mr S's other savings, and October 2024 when he purchased a house and would've used the funds, it's likely he would've earned interest throughout this period. The delay in this case has been caused by Kroo, so I don't think it's fair or reasonable to hold Mr S accountable for the fact he no longer has the exact details of the tracker rates linked to his savings account.

But, as it's been difficult to quantify, instead of awarding a specific interest rate in this case, I've increased the award for the distress and inconvenience caused to encompass this loss. I've also taken into account the distress and inconvenience of having to borrow money to complete the purchase of a house, and the continued inconvenience and worry caused by the lack of any response or information from Kroo about his money. Overall, I think £600 is a fair and reasonable amount.

My final decision

I uphold this complaint and direct Kroo Bank Ltd to pay the redress outlined above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 24 March 2026.

Faye Brownhill
Ombudsman