

The complaint

Mr I complains that Kroo Bank Ltd decided not to refund him the money he lost through a scam.

Mr I has brought his complaint to us via a representative, but I will refer to him throughout for simplicity.

What happened

Mr I said he was told about an investment opportunity by a family member in mid-2023. Some time later, Mr I responded to an advert by the company and was contacted by phone. The company representative invited Mr I to set up an account with a cryptocurrency exchange to send payments to the company's investment platform.

The exchange relied on a UK-licensed bank ('Bank B') for its banking services. Mr I's money was held with Bank B in an account in his name. Mr I sent fiat money from his Kroo account to his account with Bank B, and then made payments from Bank B to the company's investment platform in cryptocurrency via the exchange.

Mr I made seven payments totalling £29,000 from his Kroo account to Bank B from 6 July to 21 August 2023, and I've listed these in the table below. These were interspersed with payments to Mr I's account with another bank.

	Date	Amount	To
1	06/07/2023	£2,500	Bank B
2	10/07/2023	£7,500	Bank B
	14/07/2023	£500	
3	17/07/2023	£3,000	Bank B
4	18/07/2024	£5,000	Bank B
5	19/07/2023	£500	Bank B
	28/07/2023	£2,500	
	01/08/2023	£5,000	
6	06/08/2023	£7,000	Bank B
7	21/08/2023	£3,500	Bank B

Mr I said he realised he was not going to receive the promised gains from the investments when he stopped making payments, was unable to withdraw funds from the investment platform and lost contact with the company representative that had been advising him about his investments.

Mr I alerted Kroo to the scam on 19 July 2024 and asked for a refund of the money he'd lost. Kroo said that Mr I would have received written warnings about scams when he set up a new payee on his account, and when he subsequently made payments to them. Kroo also said that it couldn't be held responsible for Mr I's loss as he'd made his payments to an account in his name.

Mr I wasn't happy with this response and referred his complaint to us. One of our investigators looked into things and found that Kroo should have provided a tailored warning to Mr I about cryptocurrency investment scams when he made his second payment to Bank B (on 10 July 2023). They found that such a warning was likely to have resonated with Mr I and prevented the loss of this and later payments to the scam.

Our investigator also found that Mr I should bear some responsibility for his loss as there were some aspects to the scam that he should have reasonably questioned. They recommended that Kroo refund half the amount of each payment Mr I made to Bank B, from and including the second payment, plus compensatory interest.

Mr I accepted this recommendation but Kroo asked for the complaint to come to an ombudsman to decide. I sent out a provisional decision on 8 October to explain why I didn't plan to uphold Mr I's complaint and to share the information I'd relied on. Kroo accepted my provisional decision but Mr I did not.

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.

Having reviewed the complaint again, and considered everything Mr I said in response to my provisional decision, I remain of the view that his complaint should not succeed. I'll set out my reasons for not upholding Mr I's complaint again in this final decision, and address his response where appropriate.

I said the following in my provisional decision:

"In deciding what's fair and reasonable, I am required to take into account relevant law and regulations; regulators' rules, guidance and standards; codes of practice and, where appropriate, what I consider to have been good industry practice at the time.

It's not in dispute that Mr I lost his money in a scam, and that he authorised the payments to the scammer. The Lending Standards Board's Contingent Reimbursement Code, which offered scam protection and potential reimbursement to customers, was in place at the time. However, Kroo hadn't signed up to this voluntary code and so it isn't relevant to Mr I's case.

In broad terms, the starting position at law is that a bank such as Kroo, is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations 2017 and the terms and conditions of the customer's account. However, this doesn't automatically mean that Kroo cannot bear any responsibility for what happened to Mr I.

Banks have a regulatory responsibility to conduct their business with due skill, care and diligence, and to pay due regard to their customers' interests and treat them fairly. Banks also need to take steps to reduce the risk that their systems might be used to further financial crime. In practice, this means keeping customers' money safe and taking steps to prevent financial harm.

In this case, I need to decide whether Kroo acted fairly and reasonably in its dealing with Mr I when he authorised payments from his account or whether it could and should have done more before processing them.

Should Kroo have recognised that Mr I was at risk of financial harm from fraud when he authorised payments from his current account?

Mr I fell victim to a scam involving investments and cryptocurrencies. Our investigator pointed out that such scams had gained prevalence by 2023 and that Kroo knew, or ought to have known, that Mr I was making payments to a cryptocurrency exchange.

As mentioned, this particular exchange used the services of a clearing bank (Bank B) to process customer transactions and all the evidence I've seen from Kroo references Bank B. For example, the Confirmation of Payee match information references a sort code and account number for Bank B.

Kroo said that the reference for all payments was 'sent by Kroo' and that it didn't process any payments from Mr I's account to a cryptocurrency account or merchant directly. I haven't seen anything to suggest that Mr I mentioned cryptocurrency to Kroo prior to alerting it to the scam in 2024.

Mr I opened his Kroo account on 2 June 2023 and deposited £40,000 into the account within a couple of days. Kroo said that during the 'Know Your Customer' process at account opening, Mr I indicated that his primary reason for opening the account was for savings, with the source of funds stated as investment income. Mr I told Kroo in July 2024 that he opened his current account because of the high interest rate it offered.

Mr I made his first payment from the account on 6 July 2023 with a transfer of £2,500 to Bank B. At that time, Bank B didn't offer current or savings accounts but did offer banking services to fintech companies, along with business lending. The exchange in question handled various assets including cryptocurrencies but also fiat currencies, equities, and precious metals.

I think it would have been reasonable for Kroo to consider that Mr I was in the market for investments, given his reason for opening the account, the declared source of the deposits, and his transfers to a bank that didn't offer current or savings accounts at that time. However, this doesn't mean that Kroo would, or should, have known that Mr I was trading in cryptocurrency, and therefore have considered that these payments carried a higher risk of fraud.

Kroo said that Mr I would have received a written generic warning when he attempted to make a payment to a new payee, and when he attempted to make an outward payment. It provided the text of these warnings both of which stated that being offered a deal that seems too good to be true could be a sign of a scam. Kroo provided screen shots of these warnings however, I haven't seen any evidence that Mr I actually received these.

That said, the context in which these transactions occurred was one in which Mr I was making fiat payments from his Kroo bank account to another UK bank account in his name. In this context, I don't think the payments Mr I made in July and August 2023 were so significantly large that their value alone should have raised concern. Mr I had recently opened the account and so there wasn't a history of payments to compare the July and August payments with, however I can't say that the pattern of these payments ought to have raised concerns. The payments weren't increasing in value or frequency, for example, and Mr I made payments of comparable value to another UK bank account in his name during this time.

The last payment to Bank B happened on the 21 August 2023, after which the balance on the account was over £6,500 and so the payments out hadn't drained the account, which might indicate that Mr I was under pressure to make them. As it happens, Mr I continued to

deposit funds into the account, for example he deposited £3,500 on 1 September, and by the end of October 2023 the balance had reached over £70,000.

In conclusion, I'm not satisfied these payments Mr I made were so unusual or so out of line with the stated source of funds and purpose of the account that Kroo ought to have done anything more before processing them. Kroo is obliged to process payments efficiently without undue delays and, overall, I don't think it treated Mr I unfairly or without regard to his interests by doing so in this case.

Could Kroo have recovered Mr I's money?

I have reviewed what happened when Mr I told Kroo about the scam in July 2024. As mentioned, the money Mr I transferred to his account with Bank B was sent on from there to the investment platform. Mr I didn't get in touch with Kroo about the scam until almost a year after he'd made the final payment. I can't find that Kroo was at fault for not attempting to recover payments as the payments had been made to a verified account in Mr I's name and remained under his control, so there were no grounds to request recovery.

I don't doubt that this has been a difficult experience for Mr I. He's shared with us that it has impacted on him mentally and financially, that he has difficulties with his mental health and considers that he was vulnerable at the time of the scam. I understand that Mr I hadn't told Kroo about his health issues until later in 2024 when he told it about the scam, and so I don't think Kroo was at fault for not taking this into account in its dealings with him.

I am sorry that Mr I has had this experience and that I can't provide the resolution he's hoping for. For the reasons I've explained, I can't fairly hold Kroo responsible for his loss."

Mr I made several comments in response to my provisional decision. I've summarised some of these points below:

- Kroo breached the British Standard Institution (BSI) code for protecting customers from financial harm as a result of fraud or financial abuse.
- Kroo should have been aware of scams where people are groomed to set up accounts with cryptocurrency currency.
- Kroo should have questioned Mr I when he began to move money out of his account - he'd been attracted to the interest rates, so it made sense to leave the money in the account, rather than move it out.
- The transfers out were unusual, specifically the second payment of £7,500 on 10 July 2023, and the account was new and money was going in and out in quick succession.

I want to reassure Mr I that I had considered these points when making my provisional decision and took into account codes of practice, such as the BSI code. As I've set out above, I found that Kroo wouldn't have been aware that Mr I was trading in cryptocurrency specifically and so would not have considered that these transfers carried a higher risk of fraud.

The fact that Mr I was attracted by the account's interest rate isn't obviously at odds with him moving money out of the account. It was for Mr I to decide when and where to move his money, as it best suited him.

Finally, Mr I was moving fiat money between bank accounts in his name and Kroo had checked the source of the funds coming in and the payee for funds out. As I explained above, I don't think the transfers were unusual in this context.

My final decision

For the reasons I've explained above, I am not upholding Mr I's complaint about Kroo Bank Ltd and don't require it to take any action in this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 27 November 2025.

Michelle Boundy
Ombudsman