

The complaint

Mrs G has complained that Kroo Bank Ltd failed to process chargeback requests she made in relation to a number of disputed transactions.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

In October 2024, Mrs G experienced a relapse in her longstanding struggle with gambling which resulted in her account being debited with multiple transactions. She later asked Kroo Bank to initiate multiple chargeback requests, claiming the transactions were made to merchants using incorrect Merchant Category Codes (MCC) and were a result of transaction laundering to bypass a gambling block.

Kroo Bank refunded transactions totalling £82.90, but Mrs G complained to this service because it failed to raise chargeback claims for the transactions. She said the transactions were misrepresented through incorrect MCC codes and Kroo Bank failed to show regard for its obligations under the Financial Conduct Authority's ("FCA") guidance on the fair treatment of vulnerable customers. She said she wanted Kroo Bank to investigate the payments, raise chargeback requests, and compensate her for the emotional distress caused by its failure to protect her as a vulnerable consumer.

Responding to the complaint, Kroo Bank said Mrs G approved the transactions with biometrics and it couldn't initiate a chargeback due to irregularities and the fact some transactions were outside the 120-day dispute timeframe.

Our investigator didn't think the complaint should be upheld. He said there was no evidence that Mrs G had told Kroo Bank about her gambling problem before 4 January 2025. And as the merchants don't appear on the list of participating companies on GAMSTOP, it's likely any blocks would have been circumvented. In addition, he didn't think Kroo Bank should have intervened because the payments were small amounts to different merchants, so they wouldn't have been suspicious.

He further explained that for a transaction to be eligible for a chargeback, it would need to be evidenced that the merchant was using an incorrect code and as merchants can offer a wide range of services, there may be different codes that they can be identified with. So, while the sites allowed her to gamble, there was no evidence to suggest that these were the only services provided or that the codes were fundamentally incorrect. She would also need to provide evidence that the transactions were exactly what she claimed and not what the MCC indicated they were and that transactions had been clearly misrepresented.

Our investigator explained that without this evidence, any chargeback submitted by Kroo Bank was bound to fail and so he was satisfied it acted fairly in refusing to submit chargeback requests.

Mrs G has asked for her complaint to be reviewed by an Ombudsman. She's argued that payments disguised through incorrect MCCs are illegal under UK and international anti-money laundering (AML) laws and in refusing to raise chargebacks Kroo Bank is enabling illegal gambling activity.

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 done so, I've reached the same conclusion as our investigator. And for largely the same reasons. I know she feels strongly about this complaint, and this will come as a disappointment to her, so I'll explain why.

I want to acknowledge that I've summarised the events of the complaint. But I want to assure both parties that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

The rule Mrs G believes Kroo Bank should have requested the chargebacks under is 12.7 which relates to invalid data. The rule states that if a transaction was only authorised because of an incorrect code, it may be possible to get a refund under the scheme if it can be shown that the transaction wouldn't have been successful had the correct merchant code been used.

For a transaction to be eligible for chargeback under 12.7, a number of different criteria must be met. Firstly, it must be shown that the merchant was using an incorrect code and as merchants can offer a wide range of services, there may be a number of different codes that they can be identified with. In Mrs G's case, while I don't doubt the websites she used allowed her to gamble, I've not seen any evidence to demonstrate that these were the only services they provided or that the codes used were fundamentally incorrect. So, I can't say for sure that the first test was met.

In addition, Mrs G would also need to show that if the merchants used the code that she thinks they ought to have, it would have prevented the transaction from being completed. But I agree with our investigator that there's no evidence that Kroo Bank knew about Mrs G's gambling addiction until 4 January 2025, so I don't accept the use of the correct codes would have prevented the transactions from being completed.

Finally, Mrs G would have had to provide evidence that proved the transactions were exactly what she claimed they were, and not what the MCC indicated they were. So, she would have had to demonstrate that the transactions had all been misrepresented, and I haven't seen that she has done.

Without this evidence the chargeback request wouldn't have been successful. So, I don't think Kroo Bank was wrong to refuse the chargeback requests because I don't think Mrs G would have been able to meet the evidential requirements for the chargebacks to be successful.

Finally, I've considered whether Kroo Bank ought to have stopped the payments and as they were low value payments to different merchants, there would have been no reason for it to intervene. And as there's no evidence it was made aware that Mrs G had a gambling addiction until 4 January 2025, there would have been no other reason for it to have stopped the payments, even if it had known they related to gambling.

I know Mrs G has suffered enormous harm financially and mentally as a result of her gambling addiction. And I know she feels Kroo Bank ought to have done more to support her. But for the reasons I've explained, I don't think Kroo Bank has made any errors and so I can't fairly tell it to do anything further to resolve this complaint.

My final decision

For the reasons I've outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 19 January 2026.

Carolyn Bonnell
Ombudsman