

The complaint

Mr H complains Kroo Bank Ltd won't refund money he lost as the result of an authorised push payment (APP) scam.

What happened

As both parties are familiar with the details of the scam I won't repeat them in full here. In summary, Mr H was duped into making payments that he believed were for anti-money laundering (AML) fees that would allow him to access funds from a previous investment. He made the following faster payments to an account in his name that the scammer had instructed him to set up at a trading platform.

payment	date	value
1	06/02/2025	£ 50
2	07/02/2025	£ 1,000
3	11/02/2025	£ 100
4	12/02/2025	£ 9,760

He understood he was being directed by a legitimate company that operates in the cryptocurrency space. He also made payments from another bank account he held. That bank intervened and broke the spell of the scam.

Mr H says he had only just setup the Kroo account (with the assistance of the scammer) and Kroo should have questioned payment 4 before processing it.

Kroo says the payments do not meet the criteria for reimbursement under the rules that were introduced by the Payments Systems Regulator (PSR) on 7 October 2024 as they went to an account in Mr H's name. It had placed a restriction on Mr H's account on 14 February 2025. It accepted there had been some delay in completing the investigation and offered Mr H £30 compensation for this.

Our investigator upheld Mr H's complaint in part. He said Kroo ought to have intervened prior to processing payment 4 and it would most likely have broken the spell of the scam and prevented that loss. However, as Mr H could have done more to protect his money the liability for that loss should be shared between the parties equally.

Mr H accepted this assessment, but Kroo did not and asked for an ombudsman's review. It said, in summary, as it offers current accounts with a competitive interest rate many accountholders use their accounts primarily as savings or liquidity vehicles, rather than for high-volume, day-to-day transactional banking. So it is common to see the rapid inflow of substantial funds; periods of low subsequent transactional activity; followed by the swift outflow of large sums to other firms in pursuit of better returns or portfolio adjustments.

Mr H's activity, within the context of Kroo's business model would not automatically trigger a high-risk classification to require intervention. It accepts the value of £9,760 is substantial, but as its destination was a self-named, Confirmation of Payee (CoP) matched, regulated

investment platform, the transaction was assessed as being consistent with the common customer behaviour described above.

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.

In broad terms, the starting position in law is that a payment services provider is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the account and the Payment Services Regulations.

Mr H authorised the transactions in question, albeit under the belief they were for AML fees. So Kroo was under an obligation to process the payments – but that isn't the end of the story, as far as its responsibility in the matter goes.

While that's the starting position, I've also taken into account the regulator's rules and guidance; relevant codes of practice, along with what I consider to have been good industry practice at the time. I've also applied Kroo's terms for the account, which say it may require customers to take a number of steps to authorise a payment in order to limit fraud. Those together mean I consider Kroo should fairly and reasonably have been on the lookout for the possibility of fraud at the time, and intervened if there were clear indications its customer might be at risk.

I accept Kroo has a difficult balance to strike in how it configures its systems. It needs to detect unusual activity, or activity that might otherwise indicate a higher than usual risk of fraud, whilst not unduly causing friction to legitimate transactions. There are many millions of payments made each day, and it would not be possible or reasonable to expect firms to check each one. In situations where firms do (or ought to) carry out checks, I would expect that intervention to be proportionate to the circumstances of the payment.

Kroo didn't intervene prior to processing any of the disputed transactions. So the initial question for me to decide is whether any of the payments looked concerning enough to have prompted fraud checks.

Firstly, I should confirm that these payments aren't covered by the PSR's mandatory scam reimbursement rules as they were made to an account in Mr H's own name. This means Mr H would only be entitled to a refund if Kroo made a mistake when following his payment instructions (for example, if it didn't act on clear signs he was falling victim to a scam).

In this case I find Kroo needed to intervene prior to processing payment 4. It was significantly higher in value than the previous activity. Mr H had only just opened the account so there was no account history to show whether or not this pattern of activity was typical. Indeed I note two days later Kroo placed a restriction on Mr H's account.

For each payment Mr H transferred funds into his Kroo account and then transferred them straight out to another account. This does not fit with Kroo's explanation of its business model whereby account holders use its accounts primarily for savings given the competitive interest rate, before then moving on funds in pursuit of better returns. It misses out the middle stage. Each time Mr H credited the account, he transferred the funds straight out leaving only £20.

Kroo also argues the payment wasn't high risk as it went to another account in Mr H's name that had CoP matched. But the fact that the payment went to another account in his name didn't mean it wasn't fraud related, rather I think Kroo needed to consider the contrary – that

Mr H was falling victim to multistage fraud (where victims are persuaded to move money through one or more accounts in their name before being lost). There has been a significant rise in this type of fraud over the last few years and no doubt Kroo will be fully aware of this given its prevalence.

So, in the round, I find Kroo ought to have paused and contacted Mr H before processing payment 4. This means I need to decide what the likely outcome of a proportionate intervention would have been. As his other bank carried out an intervention, we have highly relevant evidence from the time that can inform this decision. Mr H answered the other bank's questions openly and accurately which allowed it to identify that he was the victim of a scam. I can see no reason why the same scenario would not have unfolded here had Kroo asked some basic questions about the purpose of the payment. And I have no doubt that its fraud team would equally have picked up on the scam indicators, such as needing to pay AML fees to access the returns of an investment.

It follows Kroo would have broken the spell of the scam and prevented Mr H's loss. So, it is fair to hold Kroo liable for Mr L's loss from payment 4.

I've then considered carefully whether Mr H should hold some responsibility for his loss by way of contributory negligence. This was a complex scam, but I think some quick and simple checks would have revealed to Mr H that the reason he was making the payments could not be legitimate. No investment requires the payment of AML fees in order to access returns. As he has accepted the investigator's assessment which included this finding I will not comment further on this issue, other than to confirm I find the parties must share the liability of the loss from payment 4.

Finally, I have looked at whether Kroo did what we would expect to try to recover Mr H's money once it became aware of the scam. It clarified in response to the investigator's assessment that it did contact the recipient firm. That firm confirmed that the funds were indeed received into Mr H's account there, and that he had subsequently completed transactions that resulted in all funds exiting the recipient account prior to Kroo being formally notified of the scam on 14 February 2025. In these circumstances we would not expect it to be able to recover the funds.

Putting things right

In order to put things right, Kroo Bank Ltd should:

- Refund 50% of payment 4.
- Apply 8% simple interest yearly to the refund, calculated from the date of the transaction until the date of settlement.
- Pay the £30 offered, that Mr H has accepted, for the delay in completing its fraud investigation.

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

My final decision

I am upholding Mr H's complaint in part with regards to payment 4. Kroo Bank Ltd must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 March 2026.

Rebecca Connelley
Ombudsman