

The complaint

Mrs E complains Kroo Bank Ltd (“Kroo”) hasn’t refunded funds she lost as the result of a scam.

What happened

Both parties are familiar with the circumstances of the complaint, so I’ll only summarise the key details here.

Mrs E made several payments towards what she thought was a legitimate cryptocurrency investment. When she couldn’t withdraw her funds she realised she’d been scammed and contacted Kroo.

Based on Mrs E’s account statement, below are the payments she made from her account with Kroo which were lost to the scam:

Payment	Date	Amount
1	20 June 2023	£5,000
2	20 June 2023	£15,000
3	27 June 2023	£19,000
4	29 June 2023	£5,000
5	4 July 2023	£25,000
6	6 July 2023	£15,000
7	6 July 2023	£10,000
8	7 July 2023	£500
9	7 July 2023	£10,000
10	18 July 2023	£4,500
11	18 July 2023	£10,000

Kroo didn’t uphold her complaint so Mrs E raised the matter with the Financial Ombudsman Service. One of our Investigators looked into the complaint and upheld it in part.

As an agreement could not be reached, the complaint has been passed to me for a final decision.

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.

Mrs E has raised another complaint with us related to this scam which I am aware of, where necessary I’ll comment on evidence provided on that complaint which is relevant to Mrs E’s complaint against Kroo.

It isn’t in dispute that Mrs E has fallen victim to a scam here, nor that the disputed payments were authorised by Mrs E. In broad terms, the starting position at law is that banks and other payment service providers are expected to process payments and withdrawals that a

customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account.

Mrs E authorised the payments in question here – so even though she was tricked into doing so and didn't intend for the money to end up in the hands of a scammer, Mrs E is presumed liable in the first instance.

But as a matter of good industry practice, Kroo should also have taken proactive steps to identify and help prevent transactions – particularly unusual or uncharacteristic transactions – that could involve fraud or be the result of a scam. However, there is a balance to be struck: banks and other payment service providers had (and have) responsibilities to be alert to fraud and scams and to act in their customers' best interests, but they can't reasonably be involved in every transaction.

Considering the relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time - Kroo should fairly and reasonably:

- Have been monitoring accounts to counter various risks, including preventing fraud and scams.
- Have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which payment service providers are generally more familiar with than the average customer.
- In some circumstances, take additional steps, or make additional checks, before processing a payment, or in some cases decline it altogether, to help protect customers from the possibility of financial harm from fraud.

So, I've thought about whether the transactions should have highlighted to Kroo that Mrs E might be at a heightened risk of financial harm from fraud.

I think Kroo ought to have been concerned that Mrs E was at a heightened risk of harm from fraud when she made payment 2. I say this due to the high value of the payment and because this took the daily value of payments to £20,000. Additionally, this was a newly opened account and Mrs E was depositing funds from another of her accounts with a firm I'll call T, shortly before moving them on again. At the time these payments were made Kroo ought to have been aware of the common use of multi-stage fraud by scammers whereby funds pass through more than one account under the consumer's control before being sent to a fraudster. I therefore think Kroo ought to have held the payment and discussed the circumstances of the payment directly with Mrs E.

Kroo intervened when Mrs E made payment 5. It asked for the payment purpose, and she selected 'Transfer to family, friends, or myself' and then was given further options and selected 'An account in your name'. Importantly as part of an investment wasn't an option for selection and so I'm satisfied Mrs E selected the payment purposes that best fit the circumstances of the payment. Mrs E then offered clarification that the beneficiary account would be used for multiple purposes and in part for investing and Kroo didn't probe this when it ought reasonably to have done so. I consider this a missed opportunity to ask Mrs E open and probing questions to narrow down what, if any, scam she may be falling victim to and provide a relevant warning.

Kroo intervened again prior to processing payment 7. It followed the same flow as above with Mrs E making the same selections and investment being absent from the available payment reasons for selection. Kroo asked via the in-app chat for her to confirm the reason

for the payment and she repeated she was transferring to one of her accounts. This didn't give Kroo any new information as Mrs E had already selected that payment purpose. While Kroo asked for evidence from Mrs E's account with T, which she provided, there was no further probing to establish if there was a scam risk and no scam warning was given.

There were other interventions which followed the same payment purpose selections as above, so I won't detail them in full here. But I consider them to be further missed opportunities to uncover the scam as Kroo didn't ask sufficient questions to establish if there was a scam risk.

Kroo intervened when Mrs E made payment 9 which followed the same flow as the interventions above regarding the payment purpose selections Mrs E made, however this time Kroo did probe Mrs E further on the reason for the payment, and those that came before, and the circumstances around them. Kroo asked why a high number of payments had been made into her account and subsequently sent out after. Kroo also requested recent statements for her account with T and beneficiary account, Mrs E provided evidence for both which included a cryptocurrency account statement for her account with a platform I'll refer to as W. Kroo probed Mrs E and while she didn't disclose the third-party involvement she did confirm she had sent the cryptocurrency on, which is a red flag for cryptocurrency investment scams. Kroo suggested she use another account, after a few days Mrs E asked for the funds to be returned to another of her accounts.

On 17 July 2023 Kroo gave Mrs E notice it would be closing her account.

At no point during Kroo's interventions was Mrs E provided a scam warning. Given she'd disclosed she was investing and had purchased cryptocurrency and moved it on, I think Kroo had enough information to have provided a cryptocurrency investment scam warning. And I'm satisfied if Kroo had intervened when Mrs E made payment 2 and probed her answers as it ought reasonably to have done, she would have disclosed her cryptocurrency investment as she did later, meaning it would have had enough information to provide a cryptocurrency investment scam warning when payment 2 was made.

I would have expected such a warning to highlight the key hallmarks of such scams, like the use of a broker, danger of remote access software and returns which are too good to be true. These hallmarks were present in the circumstances of the scam Mrs E was falling victim to so while I can't be sure what would have happened if Kroo had provided Mrs E with a cryptocurrency investment scam warning, I believe, on balance, that such a warning would more likely than not have resonated with her, uncovered the scam and prevented her losses from and including payment 2.

Kroo says T said they had intervened several times and given Mrs E a scam warning. So, Kroo says, Mrs E is unlikely to have responded to a warning from it in any event.

I can see from Mrs E's complaint to our service about T, that they spoke to her several times about the payments she was making and they have provided calls. I acknowledge that Mrs E didn't always provide accurate answers to T in the calls she had with them. But in one of the calls, Mrs E was told the payment she was trying to make was being declined because T doesn't facilitate cryptocurrency payments because of the risk of cryptocurrency scams, and if she wanted to make payments to cryptocurrency she'd need to do so by other means. It was mentioned that W was "high risk" but there wasn't a clear description of the hallmarks of such scams. In later calls, Mrs E told T the payments were for a better interest rate but again there were no specific scam warnings. So, I still find a scam warning given by Kroo at payment 2 would, more likely than not, have uncovered the scam and prevented her loss from that point onwards.

As I believe Kroo could have prevented Mrs E's losses from and including payment 2 I think it's fair and reasonable to hold Kroo liable for those losses.

I've also considered whether Mrs E should share any liability for the preventable loss. In considering this point, I've taken into account what the law says about contributory negligence as well as what's fair and reasonable in the circumstances of this complaint. I think the rate of returns were too good to be true and she can reasonably be held equally liable for the preventable loss.

Putting things right

Mrs E has accepted an offer for 50% of her losses for the disputed payments from T. The outstanding preventable loss from and including payment 2 is therefore £57,000. Given I've concluded Kroo can reduce the amount it refunds Mrs E by 50% it means Kroo should reimburse her half this amount which I calculate to be £28,500.

My final decision

My final decision is that Kroo should:

- Refund Mrs E £28,500.
- Pay 8% simple interest per year on this amount, from the date the payments debited her account, until the date the refund is settled (less any tax lawfully deductible).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 25 March 2026.

Charlotte Mulvihill
Ombudsman