

The complaint

Mr W's complaint is that Kroo Bank Ltd irresponsibly provided him with an unaffordable personal loan.

What happened

Mr W was provided with a loan of £3,500 in August 2024 by Kroo Bank. The loan had a term of 36 months with 35 instalments of around £125 and one final instalment of around £85. The total repayable value, including interest, was around £4,500.

In December 2024 Mr W complained to Kroo Bank about irresponsible lending, saying proportionate checks ought to have led to it identifying that he was overindebted and using credit to gamble. Mr W said Kroo Bank unfairly provided this loan.

Kroo Bank issued a final response in February 2025 in which it didn't uphold Mr W's complaint. Unhappy with Kroo Bank's response Mr W referred his complaint to our service. One of our investigators considered the details and didn't uphold the complaint, concluding Kroo Bank had made a fair lending decision when providing Mr W with this loan. Mr W asked for an ombudsman's review, so the complaint was passed to me to decide.

I recently issued a provisional decision where I set out, with reasons, my initial thoughts on this case and what I was intending to decide.

The below is a summary from my provisional decision:

"The information in this case is well known to Mr W and Kroo Bank, so I don't intend to repeat it in detail here. Instead, I've focused my decision on what I consider to be the key points of this complaint; so, while my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me. I don't mean to be discourteous to Mr W or Kroo Bank by taking this approach, but this simply reflects the informal nature of our service.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. I've used this approach to help me decide Mr W's complaint.

Having done so, I don't currently consider Kroo Bank made a fair lending decision when providing Mr W with this loan. I say this because:

- *Kroo Bank has said it validated Mr W's income and non-discretionary expenditure by obtaining Open Banking data; however, in other correspondence has said it used Mr W's declarations and industry recognised statistical data to understand his non-discretionary expenditure. It has said it identified Mr W's existing commitments to lending through its credit check; and that it had checked and was satisfied that Mr W hadn't obtained other loans in the months leading up to this lending. Kroo Bank has said it had no concerns with the information it obtained through its checks, and that it went on to fairly provide this loan.*

- *I think the checks Kroo Bank completed before providing this loan were reasonable and proportionate. It obtained Open Banking data which provided it with evidence of Mr W's actual income and expenditure; and it completed a credit check to understand Mr W's existing commitment to, and recent management of, credit. However, although our investigator requested the data sitting behind its credit check, Kroo Bank has only been able to confirm the score it received from the credit reference agency (CRA). In any event, I'm not persuaded that Kroo Bank reasonably engaged with the information it had obtained through the Open Banking data.*
- *I say this because the Open Banking data Kroo Bank obtained and has provided this service includes Mr W's income, some non-discretionary expenditure and some existing commitments to credit. Given this information, I think Kroo Bank's calculations for Mr W's income and non-discretionary expenditure were reasonable. However, I don't currently consider the same can be said about Kroo Bank's calculations for Mr W's commitment to credit.*
- *The Open Banking data evidences three high-cost loans being obtained within around two months of Kroo Bank providing this loan, with a total capital value of around £6,000. So, while Kroo Bank says it checked for other recent lending by way of loans and found no evidence of such lending, its statement appears contradictory to the evidence contained within the Open Banking data it obtained.*
- *Kroo Bank has provided us with the credit score it obtained from a CRA, and has said this score met its lending criteria for the value of loan Mr W was looking to obtain. But as it hasn't provided us with the data sitting behind its credit check, and as its testimony about Mr W's other credit commitment is contradictory to the evidence I have, I think it's reasonable for me to consider Mr W's credit file in order to reasonably understand what data sat behind Kroo Bank's credit check.*
- *Mr W's credit file shows a large number of credit accounts at the time of this lending event. Although three had been repaid within a few months of this new loan being provided, Mr W had around 15 active credit accounts, which includes two of the recently obtained loans I've set out above. I acknowledge that Kroo Bank's credit check at the time may not have identified recently obtained lending, due to the proximity of its check; however, it had this information available to it through the Open Banking data.*
- *In total Mr W's credit file shows he had around £16,000 in outstanding debt at the time of Kroo Bank's lending decision across revolving and non-revolving accounts; with an existing monthly commitment to credit of around £725. This loan purpose was declared as 'holiday'; so, Kroo Bank's checks needed to take into account that this loan would be further increasing Mr W's outstanding debt and monthly commitment to credit.*
- *Taking into account the monthly repayments to this loan of around £125, Mr W would be paying around £850 a month on credit, which is around 45% of his evidenced monthly income. While on a strictly pounds and pence basis this loan may have been affordable, taking into account the increased monthly commitment to credit in terms of both value and percentage, and Mr W's clear increase in the use and reliance of credit in the months leading up to this loan; I don't consider this new loan was sustainable for Mr W, and I consider Kroo Bank ought reasonably to have identified this."*

Mr W responded and accepted my provisional decision; Kroo Bank responded and disagreed. In summary, while it acknowledged some of my comments, it maintained its position that its checks were proportionate and that it had made a fair lending 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.

Having done so, I've not been provided with any information which leads me to conclude that I should depart from the findings I reached within my recent provisional decision.

I say this because:

- While I acknowledge Kroo Bank's comments that it's entitled to rely on the information it received from its credit check, I would set out that when it has obtained other information as part of its checks that we would expect it to engage with this in its entirety too; so it reasonably takes account of all information it has available to it.
- In this case the Open Banking data Kroo Bank had obtained painted a different and, it would appear, a more up-to-date position in terms of Mr W's outstanding credit, than its credit check identified. As I've set out in my provisional decision, the Open Banking data shows three other high cost loans being obtained within a couple of months of this lending decision. Kroo Bank appears to have categorised two of these loans as 'other income' and 'employment income', with the latter clearly being incorrect.
- This lending request with Kroo Bank was therefore Mr W's fourth application for high cost credit within a handful of months, suggesting a recent increased appetite, reliance and dependency on high cost credit.
- Through a combination of the credit check and Open Banking data Kroo Bank obtained, and potentially with some further enquiries to Mr W, it would reasonably have been able to identify that Mr W would be paying at least around £650 a month to non-revolving credit, when including repayments to this new loan. And with his remaining revolving credit balance being repaid over a reasonable period of time, Mr W would be committed to paying around £850 a month towards credit.
- As I've set out within my provisional decision, I consider Kroo Bank had information available to it through the checks it had completed that ought reasonably to have led to it concluding that Mr W's recent increase and evident reliance on credit, as well as his monthly commitment to credit moving forward, wouldn't be sustainable.

For the reasons set out above and within my recent provisional decision, I therefore don't consider Kroo Bank made a fair lending decision when providing Mr W with this loan.

I've also considered whether Kroo Bank acted unfairly in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I've not been presented with any evidence which leads me to conclude Kroo Bank has acted unfairly in any other way. So, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mr W in the circumstances of this complaint, and that no additional award would be appropriate.

Putting things right

As I don't consider Kroo Bank should have provided this loan, I don't consider it fair that Mr W should pay interest or charges under the agreement. However, Mr W has had the use of the capital amount lent, so I consider it fair that he repays this.

As such I direct Kroo Bank to take the following action to resolve this complaint:

- Add up the total repayments Mr W has made towards the loan and deduct these from the total amount of money Mr W received.

AND

- If this results in Mr W having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). † Kroo Bank should also remove all adverse information regarding this account from Mr W's credit file.

OR

- If a capital balance remains outstanding, then Kroo Bank should arrange an affordable and suitable payment plan with Mr W. Once the outstanding balance has been repaid any adverse information reported to Mr W's credit file about this account should be removed.

† HM Revenue & Customs requires Kroo Bank to take off tax from this interest. It must give Mr W a certificate showing how much tax it's deducted if he asks for one.

My final decision

My final decision is that I uphold Mr W's complaint and direct Kroo Bank Ltd to take the action set out above.

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

Richard Turner
Ombudsman