

## The complaint

Mr A is being represented by a claims manager. He's complaining about Kroo Bank Ltd because it declined to refund money he lost as a result of fraud.

## What happened

Sadly, Mr A lost money to a cruel cryptocurrency recovery scam after he received an email from a company saying it had located a cryptocurrency wallet in his name with a large positive balance. To obtain this money he was asked to pay a series of fees and used his Kroo account to make the following transfers to two cryptocurrency exchanges, from where I understand the currency purchased was transferred to the scammers and lost:

No.	Date (2025)	Amount £
1	24 Jan	10
2	24 Jan	980
3	24 Jan	3,920
4	24 Jan	3,700
5	30 Jan	100
6	30 Jan	830
7	30 Jan	4,960
8	30 Jan	4,040
9	30 Jan	4,900
10	30 Jan	5,090
11	1 Feb	14,900
12	1 Feb	9,850

The latter payments were funded by loans from Mr A's bank and another lender.

Our investigator didn't recommend the complaint be upheld. They felt Kroo should have intervened to question the circumstances surrounding payment 3. But they didn't think it was likely such an intervention would have uncovered the scam or stopped Mr A from wanting to go ahead with the payments.

Mr A didn't accept the investigator's assessment and, in summary, his representative made the following key points:

- These were large payments from a newly-opened account and Kroo should have identified there was a risk they were associated with fraud. Also, Mr A's age meant they should have been on heightened alert.
- Kroo should have asked Mr A a series of open and probing questions about the payments based on its knowledge of different types of fraud and scams. If it had done so, the scam would have been uncovered. Especially as the FCA had issued a warning notice relating to the company that first contacted him about the cryptocurrency recovery.

- Instead, Kroo made no meaningful attempt to intervene in the payment process.
- It's not accepted that Mr A wouldn't have been truthful about the reasons for the payments if Kroo had spoken to him. While he may have been coached by the scammers in how to respond to his bank, Kroo knew more about the ultimate destination of the payments and those answers wouldn't have stood up to proper scrutiny.
- The fact Mr A told his bank that the loan was for home improvements doesn't demonstrate that he wouldn't have been truthful if Kroo had asked him about these payments. Apart from anything else, buying cryptocurrency isn't normally one of the options customers are able to select from when declaring the loan purpose in an application.
- By failing to uncover the scam, Kroo failed in its responsibility to prevent Mr A from foreseeable harm as set out in the Financial Conduct Authority's (FCA's) Consumer Duty.

The complaint has now been referred to me for review.

### **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 overall conclusions as the investigator. I haven't necessarily commented on every single point raised but concentrated instead on the issues I believe are central to the outcome of the complaint. This is consistent with our established role as an informal alternative to the courts. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

There's no dispute that Mr A authorised these payments. In broad terms, the starting position at law is that a bank is expected to process payments a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of their account. In this context, '*authorised*' essentially means the customer gave the business an instruction to make a payment from their account. In other words, they knew that money was leaving their account, irrespective of where that money actually went.

There are, however, some situations where we believe a business, taking into account relevant rules, codes and best practice standards, shouldn't have taken its customer's authorisation instruction at 'face value' – or should have looked at the wider circumstances surrounding the transaction before making the payment.

Kroo also has a duty to exercise reasonable skill and care, pay due regard to the interests of its customers and to follow good industry practice to keep customers' accounts safe. This includes identifying vulnerable consumers who may be particularly susceptible to scams and looking out for payments which might indicate the consumer is at risk of financial harm.

Taking these things into account, I need to decide whether Kroo acted fairly and reasonably in its dealings with Mr A.

### *The payments*

I must take into account that many similar payment instructions Kroo receives will be entirely legitimate. I also need to consider its responsibility to make payments promptly. But at the same time, it knew these payments were going to cryptocurrency and that this meant they carried a higher risk of being associated with fraud.

Having considered what Kroo knew about payments 1 and 2 at the time, particularly that they were low in value, I'm not persuaded it ought to have been particularly concerned. I don't think there were sufficient grounds for the bank to suspect Mr A may be at risk of harm from fraud when he made the payments and I can't reasonably say it was at fault for processing them in line with his instructions.

Payment 3, however, was for a larger amount and was the third payment to the same payee on the same day. By this time a pattern of multiple, rapid and increasing payments seen in many types of known scam had begun to emerge and this is the point at which I believe Kroo should have begun asking questions about the payments before they were allowed to leave the account.

Kroo has explained that it did show in-app scam warnings each time Mr A paid a new payee and in connection with each outpayment. But these were in generic and it doesn't appear the bank asked him what the payment was for or tried to provide any tailored warning. Kroo says it also carried out a payment review in connection with payment 12, but the records indicate this merely consisted of checking with Mr A that the money was going to an account in his own name. Again, the bank doesn't appear to have tried to find out what the payment was for or to provide any sort of tailored scam warning.

Kroo has said that it contacted Mr A on 12 February because it identified concerns after manually reviewing his account activity. But this was several days after the sequence of payments highlighted in this complaint had ended and was too little and too late in my view.

As I've explained, I find that Kroo should have identified Mr A may be at risk of harm from fraud when it received his instruction for payment 3. Having thought about the risks that payment presented, I think a proportionate response would have been to ask him to confirm online or in the app what the payment was for and show an appropriate tailored warning about the most likely type of scam that could be occurring based on his answer.

But, on balance, I don't believe a written warning at this stage would have stopped Mr A from going ahead with payment 3. As I'll come to discuss in more detail, I think all of the evidence points to the conclusion that he wouldn't have selected the correct payment reason, meaning that any warning the bank might have provided was unlikely to resonate with him or open his eyes to the scam.

Once Kroo then received the instruction for payment 4 - Mr A's fourth payment to cryptocurrency on that day with a combined value of more than £8,000 – I think a proportionate response to the growing risk would have been a human intervention during which the bank could have found out more about the circumstances surrounding the payment, either by speaking to him via an online chat or over the phone, to assess the most likely type of scam that could be taking place and provide relevant tailored warnings.

While it's my conclusion that Kroo didn't take adequate steps to question the payments being made or intervene in the payment process, to conclude that it should refund any part of Mr A's losses, I'd also need to be satisfied that appropriate intervention would likely have prevented him from going ahead with the payments. While I can't know for certain what effect an intervention that didn't happen would have had, for reasons that I'll now explain I find that Mr A would most likely have still wanted to go ahead with payments to the scam.

If Kroo had contacted Mr A to discuss payment 4, the evidence I've seen indicates he wouldn't have explained the true reason for it or otherwise provided accurate information in response to its questions. I say this for the following reasons:

- The history of Mr A's text conversations with the scammers appear to show he was being closely guided through the process, including how to respond to questions what he was doing. The bank he used to transfer money to Kroo did ask to speak to him about one of the payments and ahead of that call, on 31 January, the scammer gave him a list of questions the bank might ask and how he should answer them. The bank's records indicate one of its agents spoke to Mr A the following day and it appears he followed the scammers' advice.
- The chat history also appears to show that as late as 7 February, several days after the last payment raised in this complaint, Mr A was speaking to another bank and not providing truthful answers on the scammers' advice. He told the scammers:

*Had telephone call from [bank]. They suspect I'm using funds for Crypto. They are asking for proof that I am using them for home improvements. I had to lie to them many times.*

- Mr A also failed to tell his bank the real reason for the loan he took. In his application, he said it was for home improvements. I take his representative's point that buying cryptocurrency might not have been one of the options he was presented with. But the bank's records show it did have some concerns about the loan application and spoke to Mr A on the phone. Rather than explaining what he was really doing, the call notes record that he continued to say the loan was for home improvements, including a new garage roof and rendering to the outside of his property, and also for work needed on his car.

The success of any fraud intervention depends to some extent on the customer being truthful about the payments they're making. As I've said, I think the evidence indicates Mr A wouldn't have told Kroo what he was really doing. I appreciate the bank knew the money was going to cryptocurrency and that a story about paying for home improvements might not have been particularly convincing. But I think the records we have of what did take place suggest that it's likely he'd have told the scammers if Kroo had wanted to speak to him and that he'd have received further coaching and been provided with a different cover story that would have been more compelling.

But even assuming Mr A had continued to hide the real reason for the payment 4 when asked about it by Kroo, I think the bank should have identified from the nature and pattern of the payments so far that he could be falling victim to a scam involving cryptocurrency. While cryptocurrency recovery scams of the type described here do go on, from what the bank could see at the time I think it should reasonably have concluded that the most likely type of scam that could be taking places was one associated with some form of fake investment scheme. On that basis I would have expected Kroo to provide a tailored warning setting out some common features of investment scams.

On this occasion, however, the scam didn't involve a fake investment scheme and I don't think a warning setting out common features of that type of scam would have been likely to resonate with Mr A as he wouldn't have recognised these features in his own situation.

With these points in mind and, given the level of influence the scammers appear to have had over his actions at the time, I'm not persuaded that a proportionate intervention by Kroo would have been likely to stop Mr A from making payment 4 to the scam. I've also considered whether further intervention in connection with any of the later payments would

have led to a different outcome. But the fact Mr A was still taking advice from the scammers on how to respond to another bank as late as 7 February doesn't support that conclusion.

I want to be clear that it's not my intention to suggest Mr A is to blame for what happened in any way. He fell victim to a sophisticated scam that was carefully designed to deceive and manipulate its victims. I can understand why he acted in the way he did. But my role is to consider the actions of Kroo and, having done so, I'm not persuaded these were the cause of his losses.

In reaching this conclusion, I was aware the FCA issued a warning notice explaining the company that first contacted Mr A wasn't authorised in the UK. But unless he'd told Kroo that he'd been contacted by this company, which I don't think he would likely have disclosed for the reasons I've already covered, it wouldn't be reasonable to expect that this should have been brought to his attention.

I've also noted the comments of Mr A's representatives about the FCA's Consumer Duty and I've taken account of Kroo's obligations following its introduction, but I'm not persuaded this changes the outcome here. While Kroo was expected to avoid causing him foreseeable harm, I'm not persuaded its actions (or failure to act) were the cause of the harm he suffered, nor do I think that harm was reasonably foreseeable given the information that it would likely have been given if it had intervened.

#### *Recovery of funds*

Mr A isn't due any refund under the industry's reimbursement scheme for authorised push payment (APP) fraud as these payments were sent to other accounts in his own name. Kroo could only attempt to recover money from these accounts and it appears it had already been moved on to the scammers by the time it was notified of the scam. And any money that hadn't been moved on would still have been available for him to access.

In the circumstances, I don't think anything that Kroo could have done differently would likely have led to Mr A's money being successfully recovered.

#### *In conclusion*

I recognise Mr A has been the victim of a cruel scam and I'm sorry he lost this money. I realise the outcome of this complaint will come as a great disappointment but, for the reasons I've explained, I don't think any further intervention by Kroo would have made a difference to the eventual outcome and I won't be telling it to make any refund.

#### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 12 April 2026.

James Biles  
**Ombudsman**