

The complaint

Mr J complained because Kroo Bank Ltd refused to refund him for transactions which he said he didn't make. He also complained about poor customer service from Kroo.

What happened

Early in the morning of 23 March 2024, Mr J was mugged and his phone was stolen. The muggers had initially approached him and spoken to him, getting him to access his phone, and watched him put in his phone PIN. The men then grabbed his phone and ran off. Mr J ran after them but said his legs gave way and he fell. He went to a friend who lived locally, but he'd hurt his leg while falling, so it took him around 20 minutes to get there. When there, Mr J tried to access his accounts using his friend's phone and computer, but the password had already been changed. Within a couple of hours, his accounts with a number of banks were drained, and loans applied for in his name.

The transactions from Mr J's Kroo account were all to e-wallets and took place within an hour of the theft. There were five transactions, which totalled £514.49.

Mr J contacted Kroo that morning, Saturday, and reported what had happened. He also said he reported all the disputed Kroo transactions through the chat app. He also contacted the police, and the other banks from which the fraudsters had stolen his money.

Mr J heard nothing from Kroo, so he started to ring or in-app message daily, asking for an update or at least an acknowledgement. By 30 March, he told Kroo that he'd been advised he should have had some communication about the fraud. He said that the other banks had kept him up to date, or had completed and finalised the problem. And the police had also kept in touch.

On 1 April, Kroo replied. I haven't seen this communication, but:

- Mr J said it was *"a rather rude email ... stating I was not using my account wasn't using his account as I should, and that he would be looking at closing the account."*
- Kroo said that Mr J's account was *"placed under review by the relevant team"* but didn't give details.

Mr J said he replied that he was using the account as he'd always done, apart from the fraud transactions on the night of 23 March. He pointed out that nine days after the fraud he'd still not heard a thing from Kroo about this, only Kroo's threat.

Mr J didn't hear any more from Kroo. He contacted Kroo again on 8 April, saying he'd reported fraud and theft nearly three weeks earlier, and Kroo hadn't kept him informed or given him any idea when he might get a refund. He pointed out that he was a vulnerable person who had been left with no money, resulting in no food, and about to run out of gas and electricity.

Mr J contacted this service. We asked Kroo for its file on 11 April, and on 29 April Kroo sent a final response to Mr J.

In its final response letter, Kroo said *'We appreciate that our lack of responses would have been frustrating and displayed a level of disregard for customers that one would not expect from their bank.'* It said the time taken to raise his fraud case was a clerical error and it apologised.

But Kroo said that it was an industry-wide practice to restrict accounts, and it couldn't tell Mr J the reason why it had done so. It said it would be in touch when it had concluded its investigations. It said that while the account was restricted, Mr J wouldn't be able to use his card, receive payments in, or make payments out. It said it would contact him to inform him of the next steps, and said its colleagues had followed the correct procedures. Kroo said it upheld Mr J's complaint and considered the matter to be fully resolved.

Mr J wasn't satisfied with this response.

Our investigator didn't receive the necessary file or information about Mr J's case from Kroo. She upheld Mr J's complaint, though she said that if Kroo provided the important evidence needed, it might change the outcome. The investigator said that Kroo should refund Mr J with the £514.49 disputed transactions, with any fees, and interest at 8% from the date of the transactions to the date of settlement. And she said that Kroo should also pay Mr J £100 compensation for the distress and inconvenience he had suffered.

Mr J accepted this. But Kroo didn't reply. So Mr J's complaint was referred to me for an ombudsman's 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.

I'm sorry to hear that Mr J had such an upsetting experience being mugged, and finding out the muggers had stolen money from him. I recognise that it would have been particularly difficult as he's a vulnerable person.

The relevant Regulations and what this means for the outcome

There are regulations which govern disputed transactions. The relevant regulations here are the Payment Services Regulations 2017. In general terms, the bank is liable if the customer didn't authorise the payments, and the customer is liable if they did authorise them. So what matters is whether Mr J, or someone else, authorised the disputed payments.

Mr J has given evidence that he was mugged and didn't make the payments. It's not clear what Kroo's position is on this, as it didn't say in its final response and hasn't provided us with any relevant information. I accept that the mugging happened as Mr J said. And the Payment Service Regulations also say, in section 75:

*"(1) Where a payment service user—
(a)denies having authorised an executed payment transaction; or
(b)claims that a payment transaction has not been correctly executed,
it is for the payment service provider to prove that the payment transaction was authenticated, accurately recorded, entered in the payment service provider's accounts and not affected by a technical breakdown or some other deficiency in the service provided by the payment service provider."*

The "payment service provider" is Kroo. And it hasn't provided us with any of the required information. So I accept that Mr J didn't make the transactions, and that Kroo hasn't fulfilled

its responsibilities under the Payment Services Regulations. So Kroo has to refund Mr J for the disputed transactions totalling £514.49.

In addition to the £514.49, Kroo must refund Mr J with any associated fees or charges. I don't have a statement of Mr J's account, so I can't tell what these are. And it must also pay him interest on the £514.49 and any associated fees or charges, at 8% simple, from the dates of the debits, to the date of settlement.

Distress and inconvenience

I consider that Kroo caused Mr J distress and inconvenience by its failure to deal promptly with his report of fraud. The Regulator, the Financial Conduct Authority (FCA) sets out on its website that "*If you didn't authorise a payment, you should ask your bank for a refund. This refund should be in your account by the end of the next business day, along with any charges and interest you paid because of the transaction.*" It goes on to set out a number of circumstances under which a payment services provider can refuse a refund – for example if it can prove the customer authorised the payment.

Here, Kroo didn't refund Mr J by the end of the next business day. Nor did it tell him – or indeed this service - why it hadn't done so, or what grounds it believed it had for not doing so.

I find that Kroo's delay in receiving the refund caused Mr J distress. In practical terms, he's said he had to use a food bank and had been without electricity at times. In emotional terms, being the victim of a mugging and a fraud is traumatic, and as Mr J is vulnerable, I also consider that the impact of this would have been greater.

I also consider that Kroo's lack of customer service impacted Mr J. It failed to respond appropriately or promptly, and I've seen nothing to show it sympathised with Mr J's horrible experience in being mugged and having money stolen from his account. And while the final response letter said it upheld Mr J's complaint, it didn't propose to take any relevant action – such as providing him with an outcome or refund for the fraud, or any compensation. It simply said it upheld the complaint so it was resolved. This is very poor customer service.

For these reasons I find that Kroo must also pay Mr J £100 compensation for the distress and inconvenience it caused him.

My final decision

My final decision is that I uphold this complaint. I order Kroo Bank Ltd to pay Mr J:

- £514.49 to refund the disputed transactions; and
- any related fees and charges it debited to Mr J's account in relation to these disputed transactions; and
- interest at 8% simple from the date of the debits of the disputed transactions, and the related fees and charges, to the date of settlement; and
- £100 compensation for the distress and inconvenience which it caused Mr J through its very poor customer service.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 24 October 2024.

Belinda Knight
Ombudsman