

The complaint

Mr M complains Kroo Bank Ltd (“Kroo”) won’t refund payments he says he didn’t authorise.

What happened

Mr M said he discovered his account had been blocked in February 2024 and when he contacted Kroo, he came to realise £16,000 had been taken from his bank account without his knowledge:

Date	Type of payment	Amount
21 February 2024	Faster payment out	£4,200
21 February 2024	Faster payment out	£4,200
21 February 2024	Faster payment out	£4,100
21 February 2024	Faster payment out	£3,500

A fifth payment was attempted but was returned to the account.

Mr M says his bank cards were stolen around the time of the disputed payments, but he didn’t receive any phone calls, or share information with another party so doesn’t know how they happened.

Mr M complained to Kroo about not receiving a refund, the restrictions on his account, and poor communication issues. Kroo issued two final response letters covering these points, the first on 30 March 2024 and the second on 8 July 2024. In its responses it explained that it was abiding by the terms and conditions of the account and that certain documents needed weren’t provided as part of the account review relating to the account restrictions. It confirmed his account had been unrestricted on 1 July 2024 and £5,063 had been recovered from the beneficiary banks. It didn’t agree to refund the remaining loss as it considered the evidence didn’t support fraud.

Unhappy with Kroo’s response, Mr M referred his complaint to our Service. One of our investigators looked into Mr M’s complaint and upheld it. In summary they said Kroo hadn’t sufficiently shown Mr M authorised the payments, and recommended Kroo reimburse Mr M. They also concluded Kroo should pay £150 compensation for the distress and inconvenience it caused Mr M where it didn’t refund him sooner in line with the relevant legislation, and also for the time Mr M was without access to his account.

Mr M agreed, but Kroo didn’t comment on whether it agreed or disagreed with the investigator’s findings. Because of this, the matter was passed to me to decide.

Prior to issuing my decision, I contacted Mr M and Kroo to request further information. Here I explained I intended on upholding the complaint and that I thought Kroo should refund Mr M his loss, taking into account what had been recovered, and pay compensatory interest for the time he's been without his money. I also explained why I thought it would be appropriate to increase the compensation award to £300.

Kroo hasn't provided all the information I've asked for, but as the deadlines have now passed, it's appropriate for me to progress matters and issue my final decision on the evidence available.

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 uphold this complaint. I'll explain why below, which covers the complaints addressed in both final response letters Kroo sent to Mr M.

Were the disputed payments authorised by Mr M?

In line with the Payment Services Regulations 2017 ("PSRs"), the relevant legislation here, the starting position is that Kroo is liable for unauthorised payments, and Mr M is liable for payments he's authorised.

The dispute here is around whether Kroo has acted fairly in treating the four disputed payments as authorised. Kroo says this is because there isn't evidence of fraud, so I've taken this to mean it considers Mr M authorised these payments. Where evidence is incomplete or contradictory, my role is to decide what's more likely than not to have happened based on the information that is available.

The PSRs say that in order for payments to be authorised, Mr M would need to have consented to them. In practical terms, it means Mr M consents to payments by completing the agreed steps as set out in the terms and conditions of the account or allowing someone else to.

Mr M has been consistent in saying he didn't make these payments, nor did he allow someone else to make them. For someone else to have made these payments, they would have needed access to Mr M's mobile banking app. Kroo said only one device can be active on an account at any given time and there were no device changes from when Mr M first registered his account. However based on the evidence its provided, that doesn't appear to be the case.

Mr M opened his account with Kroo in November 2023 and from the records it has provided, it has shown the device ID associated with the device Mr M set up his account with ends '54E'. However the mobile banking records Kroo has shared from the day the disputed payments took place shows a different device ID, which ends 'A2B', as being the one used to make these payments.

Based on the evidence provided, it appears there was more than one device set up to access Mr M's mobile banking app and that a different device than Mr M's was used to make the disputed payments. Despite our requests, Kroo hasn't clarified when and how this new device was set up nor has it provided any supporting evidence to show Mr M was likely involved in the setting up of the new device.

As the information that's been provided is limited, I have to consider on the balance of

probabilities whether these payments were more likely than not authorised. Whilst Mr M hasn't said he shared information with someone else, that could explain how another person was able to access his account, it's also possible this was done without his involvement. The onus is on Kroo to provide the evidence and explanations only available to it.

With the evidence I have, I consider it more likely that an unauthorised third party was able to access Mr M's account from their own device and made these payments. I note the activity is consistent with this scenario given Mr M's account was all but cleared, leaving £46.38 in the account, in a matter of hours.

Considering what I've set out above, I consider it more likely than not that Mr M didn't authorise these payments. I've also considered whether there's any other reason it would be fair to hold Mr M liable in the circumstances and I don't think there is. This means Kroo is liable to refund his losses in full, taking into account what has been recovered, and pay compensatory interest for the time he's been without his money.

The impact on Mr M

Mr M had several calls with Kroo throughout February and March 2024 where he frequently mentioned his concerns with paying his bills. And during these calls, he often chased for updates on accessing his account and what was happening with the money that was lost. I appreciate this would have been a worrying time for Mr M.

Kroo said restrictions on Mr M's account were lifted by 1 July 2024, so it appears he didn't have full access to his account for over four months. Whilst I accept Kroo was entitled to restrict Mr M's account in line with the account terms and conditions, it hasn't demonstrated that it did so for a reasonable period of time.

From the contact notes Kroo provided, it appears Mr M provided the requested information towards the start of March 2024. However Kroo didn't follow-up to clarify some final questions it needed to ask until the end of June 2024. In between that time, it appears Mr M had chased on multiple occasions. And once Mr M responded, which appears to be on the same day he was asked these final questions, Kroo were able to lift the restrictions a few days later. It's unclear why these questions weren't asked sooner. With that in mind, I consider Mr M was without access to his account for longer than he ought to have been and so Kroo further contributed to the inconvenience and financial hardship this had on him where it also ought to have refunded him sooner.

Given the above, I consider £300 a fair compensation award for Kroo to pay Mr M to reflect the direct distress and inconvenience it caused him.

My final decision

For the reasons I've explained, I uphold Mr M's complaint. Kroo Bank Ltd must:

- Pay Mr M the total of the unauthorised payments, less any amount recovered or refunded.
- Pay 8% simple interest per year on this amount from the date of the unauthorised payments to the date of settlement (if Kroo Bank Ltd considers that it is required by HM Revenue & Customs to withhold income tax from that interest it should tell Mr M how much it's taken off. It should also give Mr M a tax deduction certificate if he asks for one so he can reclaim the tax from HM Revenue & Customs if appropriate).
- Pay £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or

reject my decision before 30 December 2024.

Timothy Doe
Ombudsman