

## **The complaint**

Mrs K, on behalf of X, complains about the service received from Kroo Bank Ltd ("Kroo") when it placed an outbound payment from X's account under review and following this applied restrictions to his account. Mrs K says Kroo has failed say what is needed to have the restrictions lifted and payments out of the account have been impacted as a result of Kroo's actions.

## **What happened**

X opened an account with Kroo in his sole name in June 2023. Despite Kroo not offering joint accounts X gave his wife Mrs K access to his account to manage it on his behalf. X and Mrs K's joint bills and payments come out of this account and it holds a balance of over £80k.

On 2 July 2024 a payment of £1,162 was made from the account. Mrs K says it was to an existing payee on the account. Kroo flagged the payment for review and says it contacted X for additional information regarding this through its in-app automated chat service.

Kroo didn't receive a response but despite this the payment was released on 4 July. Kroo says the payment was flagged for review due to the amount and the fact it was to a new beneficiary. Kroo says the payment was released without a response from X as it was able to discount the irregularities flagged up in this instance.

Kroo's says its accounts can only be accessed via its banking app on one device at a time and noticed the device X uses for accessing his account had changed. Furthermore, it noticed through its manual liveness check that the identity of the person accessing X's account differed from the identity provided when the account was opened and suspected an account takeover. So in-line with its terms and conditions it applied restrictions to the account on 20 July until it could verify X's identity.

Mrs K contacted Kroo by email the same day saying because of a new video step she was unable to login into the account after three attempts.

Kroo contacted X about the restrictions it had applied via its web messaging and advised that any payments such as direct debits and standing orders which were due to leave the account may not be processed while the restrictions were in place and advised X to use an alternative account.

Mrs K called Kroo on 22 July on three occasions to try and gain access to the account but because she couldn't answer all the security questions – in particular, confirming the ID provided on opening the account - she was repeatedly told to call back or email.

Following this Mrs K raised a complaint by email regarding the review of the outbound payment on 2 July, the restrictions applied to the account on 20 July and that she and X are unable to discuss the account over the phone and that direct debits have failed.

Kroo sent X a link on 25 July to complete a new verification ID check and asked he submit a passport, UK Driving Licence, UK Biometric Residence Permit or National identity card in order to verify his identity. X completed a manual liveness check but as the document was unclear Kroo weren't satisfied and advised on 7 August he'd need to submit a further ID document.

X provided this but it wasn't until 28 August when X called Kroo and passed security and changed his phone number that this was successfully completed. Despite this, restrictions weren't lifted as Kroo says it needed X to confirm he'd changed his password to its banking app before the restrictions were lifted.

Kroo issued its final response on 12 September. Kroo didn't uphold X's complaint as it believed the actions it had taken in restricting the account were allowed under its terms and conditions and it has a duty to ensure there was no misuse and the account was secure. It said it advised X and gave notice that direct debits and standing orders would be stopped whilst restrictions were in place and provided X with a link to its Help Pages with information on what to expect.

Kroo acknowledged there were some delays in dealing with X's complaint - due to the contact from third-party unregistered details (Mrs K) - and so credited the account with £25 in compensation.

X was dissatisfied with this as his account was still restricted and so Mrs K brought a complaint to this service on his behalf.

Following this Kroo advised the account has remained restricted due to the amount in the account and to ensure X's account has not been compromised. Kroo says to have the restrictions lifted X needs to change his banking app password which he can do over the phone and that it will issue a formal warning against using an account for other purposes to what was agreed i.e. as a joint account.

Mrs K says every time she's called she's experienced long queues and doesn't get anywhere. Mrs K says they met Kroo's requests for verification promptly on each request but its response every time was that they'd failed. Mrs K says there is over £85k in the account they can't access, they've suffered late payment charges and been penalised for not paying bills by direct debit, had to open a new account to make payments and that their credit reports have been impacted.

One of our investigator's looked into X and Mrs K's concerns but didn't think Kroo had treated X unfairly or had made an error in applying the restrictions as it had reasonable grounds to do so and that this was allowed under its account terms and conditions.

But our investigator didn't think Kroo had provided a rational for the initial blocked payment or been clear in what X needed to do to have the restrictions lifted and thought Kroo should lift the restrictions once X has changed his password – via the phone – and compensate X £100 for the distress and inconvenience the service around this had caused.

They didn't agree that X should be compensated for any missed payments such as direct debits as they thought Kroo hadn't made an error in restricting the account and had clearly advised X and given sufficient time to make alternative arrangements.

Mr and Mrs K disagreed and asked for an ombudsman's decision on the matter.

## **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 hope that X and Mrs K won't take it as a discourtesy that I've condensed this complaint in the way that I have. Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint. Our rules allow me to do that.

And the crux of this complaint is regarding the service received from Kroo when it applied restrictions to X's account while it carried out a review of his account and sought to verify his identity.

My role is to look at problems that X has experienced and see if Kroo has made a mistake or done something wrong. If it has, we seek to put - if possible - him back in the position he would've been in if the mistakes hadn't happened. And we may award compensation that we think is fair and reasonable.

It might be helpful for me to say here that, I don't have the power to tell Kroo how it needs to run its business and I can't make Kroo change its systems or processes – such as how or when activity on an account is reviewed and restrictions applied for fraud prevention. These are commercial decisions and not something for me to get involved with. Nor can I say what procedures Kroo needs to have in place to meet its regulatory obligations. We offer an informal dispute resolution service and we have no regulatory or disciplinary role.

That said I don't think it was unreasonable for it to have procedures in place – in this case requesting X verify his ID when it appeared a third-party (Mrs K) was accessing his account outside the operating terms and conditions and without authority and that the account had been compromised. Kroo need to ensure the activity on the account is legitimate and it meets its regulatory requirements. As I'm sure X understands this is needed not only to protect businesses against criminal activity, but also their customers.

And in X's case it is clear from the evidence I've seen that Mrs K – albeit with X's knowledge – had been accessing and operating the account outside of the terms and conditions. So I don't think it was unreasonable that Kroo applied restrictions to X's account until it could carry out a review and satisfy itself of X's identity – the account holder - and that the activity seen on X's account was legitimate.

I accept X and Mrs K have been both distressed and inconvenienced by this, but the actions Kroo took is allowed under its terms and conditions and is in-line with its regulatory obligations, so I don't think Kroo have acted unreasonably or treated X unfairly here.

However, I'm in an agreement with our investigator that there has been a service failing on Kroo's part in the customer journey X has had and that it failed to sufficiently explain what the problem was and what was needed to have the restrictions lifted.

I think the issues X was facing with the restrictions applied to his account could've been dealt with much sooner had Kroo clearly explained that Mrs K isn't allowed to access and operate X's account as it is a sole account held in X's name. Had this been explained properly Mrs K wouldn't have spent the time she did in trying to have the restrictions removed through phone calls, emails or other avenues as this was something she had no authority over.

So I think this is a service failing on Kroo's part and that Kroo should compensate X £100 for the distress and inconvenience this caused to him for not making this clear. As a result of

this confusion X hasn't had access to his account for much longer than was necessary and has made alternative banking arrangements to pay his and Mrs K's household bills.

I appreciate X and Mrs K don't think this is enough but ultimately, the actions Kroo took wasn't an error on its behalf, but rather it was safeguarding X's account. Kroo explained what it needed from X in terms of ID and advised him of how his account would be affected while the restrictions were in place.

My understanding is that X has now verified his identity with Kroo and all that it requires now for the restrictions to be lifted is for X to secure his online banking. Kroo have advised he can do this by changing his banking app password which he can do over the phone which I think is fair as Kroo needs to satisfy itself that X's account is secure.

X is also unhappy that a payment was held for review for two days from 2 to 4 July. But again, I don't think Kroo have made an error here as it is entitled to review any irregular outgoing payments to safeguard its customers accounts and as on this occasion the payment was released, I can't say that X has suffered any detriment so I'm not going to ask Kroo to do anything more regarding this element of his complaint.

So it follows that although I don't think Kroo made an error in reviewing outgoing payments from X's account or in the restrictions it applied, I think there was a service failing around the advice given as to why it had happened and what was needed to move forward and lift the restrictions. To put things right I'm in agreement with our investigator that Kroo should compensate X £100 for the distress and inconvenience this caused.

### **My final decision**

For the reasons I've explained, I've decided to uphold X's complaint against Kroo Bank Ltd and direct it now pay him £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 25 December 2024.

Caroline Davies  
**Ombudsman**