

The complaint

Mr V complains that Sporting Index Limited allowed him to open a spreadbetting account with a credit facility which he wasn't told about. As a result, he now owes a debt – when he thought the most he could lose was his deposit.

What happened

In March 2020 Mr V opened a spreadbetting account with Sporting Index. In order to do so, he was required to complete an appropriateness assessment in order to establish whether spreadbetting was appropriate for him. During this assessment he confirmed:

- He had experience with spreadbetting;
- Had read the risk disclosure notice;
- Understood he could lose more than his deposit;
- Had accepted the terms and conditions.

There were various accounts available to Mr V, and he chose the 'classic' debit account – an account that had no inbuilt caps on either profits or losses for sports spreadbetting and that he would need to fund with his own money, not via credit provided by Sporting Index.

Sporting Index also carried out a credit check on him at the time, and his credit score did not indicate any particular issues that would prevent him from opening the account.

Mr V deposited £5,000 on 7 March 2020 and carried out over 70 trades until 10 March 2020. By that stage, he had lost his deposit and had incurred a debt of just over £6,500. Mr V emailed Sporting Index on the same day and complained. He said that he 'purposely did not want a credit account'. He explained he was in financial difficulties, and that he had suffered from gambling problems in the past. He said he had 'slipped off the wagon' that week and had spent more than he could afford – but he didn't think that he should be allowed to incur such a sizeable debt. He said he had specifically declined a 'credit account' in order to avoid this possibility and because he would not have knowingly exposed himself to more debt. He asked for his account to be closed.

Sporting Index replied to Mr V and signposted him to organisations that could offer him support. It also offered him the opportunity of working out a structured plan in order to pay back the outstanding balance. However, it said that there were no issues when a credit check had been carried out on him prior to opening the account and he had confirmed that he understood and read how spreadbetting worked – and specifically, that losses could exceed deposits.

Mr V disagreed and brought his complaint to this service. One of our investigators looked into his complaint, but didn't agree it should be upheld. In short, the investigator concluded that:

- Mr V was not given a credit account – he was given a debit account which is the one he had requested. The investigator explained that a credit account involved Sporting Index lending money to Mr V, up to a specified limit, to trade. This is not what had

happened in Mr V's case. He opened a debit account, which required him to deposit his own money. But the trades he made had caused losses which exceeded his deposit.

- The investigator acknowledged that Mr V had said he understood the terms and conditions, and the investigator noted that those terms said that 'it is possible to suffer losses greater than any pre-set limit or deposit made'.
- The investigator also noted that risk warnings about spreadbetting were on all Sporting Index's pages – and this risk warning specifically said that 'spreadbetting can result in losses greater than your initial deposit or credit limit'. In addition, Mr V was required to confirm that he had read the risk disclosure notice which also highlighted the risk of losing more than the deposit.
- There were no issues in relation to Mr V's credit file at the time which ought to have prompted Sporting Index not to allow him to open an account. And Mr V had completed the appropriateness assessment which confirmed he had sufficient knowledge and experience to understand the risks involved.
- In addition, Mr V had specifically chosen a type of account which did not have any caps on profits or losses – the 'classic account'.

The investigator also noted that as soon as Mr V told Sporting Index about his situation, his account was frozen so that no further trades could be placed. Overall, the investigator concluded that Mr V hadn't been treated unfairly and that the losses he incurred were trading losses caused by the trades he chose to place, and not by something Sporting Index did or didn't do.

Mr V didn't agree. In short, he said:

- He thought he had a debit account. So it wasn't right that he now ended up owing money to Sporting Index after having lost his entire deposit – he could've lost 'infinity' money.
- He had an extremely poor credit rating, to the extent that he was not even able to have a contactless credit card from his bank. He said his credit rating was so poor he was unable to obtain finance anywhere – and yet he was now in a position to owe Sporting Index this money with no means to pay.
- He was unable to open any other gambling account with other bookmakers – and he had suffered as a result of his gambling addiction, including through his mental health, yet it seemed none of this mattered.
- He said Sporting Index had taken advantage of a vulnerable person with an addiction to gambling and this wasn't fair.

As agreement couldn't be reached, the case was passed to me.

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 conclusions as the investigator and for broadly the same reasons.

I'm sorry to disappoint Mr V. I can see this matter has caused him profound distress and I've no doubt the financial consequences of the debt he owes to Sporting Index is having a significant impact on him.

But whilst I have sympathy for the situation he finds himself in, I'm required to consider the matter on the basis of what I think is fair and reasonable – and key to this is the extent to which I think Sporting Index has treated him fairly, and done what it was required to do at the time.

As the investigator has explained, Sporting Index was required under COBS 10 to assess whether spreadbetting was appropriate for him – in short, this involved establishing whether he had sufficient knowledge and experience to understand the risks involved with this type of trading.

Mr V confirmed that he had experience of spreadbetting, had read the relevant risk disclosure notice, had read the terms and specifically confirmed that he understood he could lose more than his deposit. On the basis of the answers Mr V gave, Sporting Index allowed him to open an account and begin trading.

Mr V has now said he wasn't aware that he could lose more than his deposit – but if that was the case, why did he say that he knew this when filling out the application form? And importantly, why did he not query this when he read the risk disclosure notice, the terms or the risk warnings on Sporting Index's website? All these warnings say, very clearly, that there's a risk of losses exceeding deposits. In my view, Mr V ought to have queried what all this meant if he was convinced he couldn't lose more than what he put in.

I acknowledge Mr V's concern that he has been taken advantage of, but I don't agree. Sporting Index didn't know about his gambling addiction, and I've seen no evidence that he made it aware of this issue prior to his email on 10 March 2020. Sporting Index has confirmed that had it known about this, it wouldn't have let him open an account.

Furthermore, Mr V didn't communicate any concerns to Sporting Index between 7 and 10 March 2020 – even though his trades were beginning to go against him. On the first day he lost over £1,300, whilst by 10pm on 9 March 2020, he had to deposit a further £2,000 as he had essentially already lost his entire deposit. I note that, unfortunately, it was the four trades he placed on 10 March 2020 which caused over £8,700 worth of losses, causing his account to go into debt.

Taking all this into account, I don't agree that Sporting Index has done anything wrong. It didn't know about the personal issues which meant that spreadbetting was clearly not appropriate for Mr V – and whilst Mr V says he has been taken advantage of, that is only because his trades were not profitable. Sporting Index couldn't have known in advance how he would trade, or whether he would make losses – all it could do was ensure that he was aware of the risks, establish whether the account was appropriate, and rely on Mr V giving answers which were accurate and relevant.

For all these reasons, whilst I'd like to reiterate the sympathy I have for Mr V, I'm not persuaded it would be fair and reasonable to ask Sporting Index to erase the trading losses Mr V incurred.

I would however encourage Sporting Index to engage sensitively with Mr V in order to work out an arrangement, having regard to his personal and financial circumstances.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 25 October 2021.

Alessandro Pulzone
Ombudsman