

The complaint

Ms K complains about her Contracts for Differences (CFD) trading account with Plus500UK Ltd.

What happened

Ms K opened her account in February 2018 and traded until she closed it in September 2018. She reopened the account in April 2020 and traded until October 2020 when she made her complaint and closed the account once more. It looks as though Ms K placed over 1,500 trades throughout the two periods – while she had deposited over €43,000, unfortunately she went on to lose almost €30,000.

In October 2020, Ms K wrote to Plus500 to ask for her money to be returned. In the course of making her complaint and explaining her concerns she said, in summary:

- She had evidence to show Plus500 had allowed her to gamble.
- Plus500 had offered bonuses which was against regulatory rules.
- She felt the prices offered didn't correlate with underlying market prices.

Plus500 looked into Ms K's concerns and issued their final response in November 2020. They didn't uphold the complaint and said, in summary:

- They are a regulated firm and offer execution only trading. They don't offer gambling, instead the instruments offered are financial products where customers can benefit from the advantages of owning a stock, index, forex, commodity or option position without having to physically own the underlying.
- Risk warnings had been provided within the user agreement and on the website.
- They hadn't offered bonuses since August 2018, following regulatory change.
- And that they hadn't received the evidence they'd asked for to understand some of the other concerns Ms K had mentioned.

Unhappy with this, Ms K asked for our help. And since bringing her complaint to our service, she also raised further concerns – these focussed on the fact that Plus500 allowed her to reopen her account without further consideration for appropriateness, as well as concerns about the identification documentation used to open her account and the failure to recheck this, or who she was, upon reopen.

One of our investigators had a look at what had happened. She asked Plus500 some questions about Ms K's appropriateness for this sort of trading and looked into the history of the account. But having reviewed that, she didn't agree Plus500 had done anything wrong. She thought the account was appropriate from the outset and would have been upon reopening too. And she wasn't concerned about the identification documentation – she said Ms K's original account was opened with reference to two surnames, that her statements contained both surnames and that the second name was perhaps a maiden name. So she didn't agree Plus500 ought to compensate Ms K for the money she lost.

Ms K didn't agree – she thought this might not be her account and said the other name wasn't her maiden name. She also asked whether Plus500 could reopen accounts without doing any sort of check on who might be behind the request.

Our investigator shared the details Plus500 had on file for Ms K and explained that the identification provided had confirmed both surnames. Though she appreciated Ms K didn't associate with one of the names, our investigator didn't think Plus500 had done anything wrong as the account details they held matched the identification provided.

Ms K shared her identity card and passport – neither of which mentioned the disputed name. But our investigator noted that her passport was dated July 2019, so wouldn't have been the identification used to open the account the year before. Despite this, Ms K thought Plus500 must have allowed an account to be opened with fraudulent identification, or that she might have traded on an account that wasn't hers. So as things remained unresolved, the matter was passed to me to 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.

Some elements of Ms K's complaint are rather broad. She thinks Plus500 have allowed her to gamble and that the prices they offered didn't correlate with the underlying market. But she's not pointed Plus500 or our service to examples of trades she'd like us to review. Having looked at Ms K's trading history, as mentioned above it looks as though Ms K made more than 1,500 trades on her account. Our service wouldn't look to review every trade Ms K made to establish the prices applied and it may not even be the case that we would be able to review underlying price data, given the time that's passed. For us to agree that Plus500 had indeed manipulated prices or encouraged her to gamble, I would need some evidence or theory to follow. But Ms K hasn't provided anything like this, so it follows that the allegations of price manipulation and around encouraging or allowing gambling have not been established.

Though Ms K didn't narrow her concerns around pricing and gambling, throughout the course of the complaint her concerns about the bonuses, the account reopening and the identification were clear. I've thought carefully about these points and will consider them below.

the initial account opening

Firstly, I've thought about the wider circumstances and how Ms K began her relationship with Plus500. As Plus500 are a regulated firm they're subject to the rules set out in the regulator's handbook – the conduct of business (COBS) section is what's relevant here.

Plus500 weren't required to assess the suitability of Ms K's upcoming trading given they weren't going to be giving her any advice – her account was opened on an execution only basis so it was for her to decide which trades to make. However, to trade as she did COBS 10 required Plus500 to assess her appropriateness for doing so. In other words, this required them to gather relevant information from Ms K in order to decide whether she had the necessary knowledge and experience to understand the risks involved.

Looking at the answers Ms K provided, she told Plus500 she'd placed between 51 and 100 CFD/leveraged trades within the last three years, with between 1:25 and 1:50 leverage. She also said she'd traded shares, indices, options, commodities, forex and cryptocurrencies more than 100 times. She was expecting to trade daily and was asked three questions about her investment knowledge – these asked her to calculate leverage, what happens when the market gaps through a stop loss and who was responsible for maintaining margin. Ms K got all three questions right. Ms K also shared information about her financial situation and passed the assessment.

Plus500 needed to check that Ms K had relevant knowledge or experience to understand the risks involved in this sort of trading. And given her answers to their questions, I am satisfied that the account opened in 2018 was properly assessed as appropriate for her.

the account reopening

Despite this, I appreciate Ms K is less concerned with the initial opening of her account and instead, more concerned with the reopening. But I don't think Plus500 needed to check her appropriateness again – the reopening was around 18 months later and given the assessment would consider relevant knowledge and experience, her trading history would have shown the account remained appropriate for her.

Plus500 also told us that they checked before authorising the reopen request to ensure they had no concerns about Ms K's personal or financial situation. They checked her closure request from 2018 and this didn't set out any specific issue or concern for why she wanted to stop trading – because of this, I'm satisfied Plus500's decision to reopen Ms K's account wasn't unreasonable.

the identification provided

Another of Ms K's concerns is around the names used on her account and the supporting identification documents. Plus500 have shared what identification was used to open the account in February 2018. This is a photo of an identity card referring to what Ms K agrees to be her correct first name and surname – however the card also includes another surname which she says she doesn't recognise. The card expired in April 2020. Plus500 have told us this identification was uploaded by 'web client' around the time the account was first opened – they say this means Ms K was logged into her account on their website.

Ms K has shared a copy of her current passport and identity card with us. But as our investigator pointed out, the passport issue date is July 2019 and therefore could not have been used to open the Plus500 account in February 2018. Ms K's identity card doesn't have a start date, but the photograph used matches that of her new passport and they both have identical expiry dates. Given the identity card used to open the account expired in April 2020, it is possible Ms K got her new passport and new identity card at a similar time – likely to be after the account was first opened.

Considering both the identity card Ms K has shared and the one Plus500 have on file, I can see that Ms K's first names, dates of birth, places of birth and surnames match. The difference is that there are another two names within the surname sections which do not match. But I don't think this automatically means the trading account is not hers or that Plus500 have done something wrong.

Ms K disputes Plus500's assumption that the other name might perhaps have been her maiden name or a family born name. It is not for me to speculate as to what this name might be or whether Ms K did once associate with it. The key thing is that her account was opened in names which matched the identification Plus500 were provided with. And this account was also opened using Ms K's email address – the same one she uses with us now – and she claims for money she lost trading on that account, which had statements in the same names. So given everything I've seen, I'm satisfied Plus500 opened an account in names they were provided with and that the identification they were supplied with validated those names. So I don't share the same concerns Ms K does for the account ownership.

I also note that when Ms K approached Plus500 to reopen her account, the email address she provided as being linked to the account is the same one she uses to correspond with us.

Ms K was also able to log into the account and trade, so taking everything into account I don't agree Plus500 had reason to be concerned about who was reopening this account.

the bonuses offered

As Ms K highlights, in 2018 the European Securities and Markets Authority (ESMA) introduced restrictions on the way these sorts of products were marketed, distributed and sold in order to increase protection for investors. The changes involved a number of new requirements but relevant here was the prevention of the use of incentives. Ms K feels that the rebates or bonuses she was given means Plus500 breached the guidelines.

Plus500 have shared a screenshot from their system to show the rebates given to Ms K. But these all predate the restrictions – these didn't come into force until August 2018 and Ms K's last rebate was some months earlier, in April 2018. So I don't agree there's evidence to show Plus500 breached ESMA guidelines and incentivised Ms K to trade when they shouldn't have.

in conclusion

I empathise with Ms K's situation as I can see she's lost a lot of money. But from everything I've seen and for the reasons I've explained above, as I've not seen Plus500 did anything wrong I don't think her losses are something for which they ought fairly and reasonably to be held responsible for.

My final decision

For the reasons given above, I don't uphold Ms K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 29 September 2021.

Aimee Stanton
Ombudsman