

## **The complaint**

Mr H complains that he lost money because IG Index Limited allowed him to trade.

## **What happened**

Mr H had a CFD trading account with IG. In December 2020, his account transferred to IG's European entity. He complained after IG closed his positions following its decision to discontinue small cap stocks on its platform. Specifically, Mr H complains of the following:

- IG shouldn't have allowed him to trade after a previous complaint made in 2016 when he suffered a large loss.
- IG shouldn't have allowed him to open positions in small cap stock if it was going to later decide it wouldn't support the positions.

Our Investigator partially upheld the complaint. She said that IG wouldn't have known at the time Mr H opened his positions in small cap stock that it would make the decision that it later did. The Investigator also explained that his complaint made in 2016 had dealt with the appropriateness of CFD trading so she didn't intend to look at that further. She also explained that there was no requirement for IG to have undertaken further checks on Mr H after this complaint but had it done so, it's likely he'd have still passed.

Our Investigator did conclude that IG had given Mr H incorrect information about opening a share dealing account, and that he had opened a new CFD account with its European entity in 2018. For this incorrect information the Investigator recommended IG pay Mr H £250 compensation.

Mr H disagreed with the Investigator's view. In summary he said:

- The Investigator is interpreting COBS 10 too narrowly in terms of appropriateness
- It was obvious that he was vulnerable by the way he was trading
- IG ought to have closed his account in 2016 which would've prevented further losses.

As no agreement has been reached, the complaint has been 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 agree with the Investigator. I think IG should pay Mr H £250 compensation but I'm not upholding the substantive complaint points. I'll explain why.

### *Allowing Mr H to trade*

The crux of this complaint is that Mr H doesn't think he should've been allowed to trade after the complaint he made in 2016. He's explained that the complaint he made ought to have alerted IG to the fact he was vulnerable and it ought to have closed his account then. I've considered this very carefully, but I can't see anything to show IG ought to have done something differently after the initial complaint.

I won't be commenting on whether CFD trading was appropriate for Mr H when he opened his account because this has already been considered by this service in a previous complaint. I can see that the 2016 complaint was about whether Mr H had agreed to the terms of the account, whether the account was appropriate and about the loss of money he'd incurred on his positions. Mr H says the complaint alone showed that he was vulnerable.

Mr H hasn't provided any evidence to show us that he ought to have been considered vulnerable in 2016 by IG, which is an execution only platform. His 2016 complaint was prompted by him losing money on a trade – something that is commonplace with CFD trading and not in itself an indicator of vulnerability. I can see the Ombudsman found that trading was appropriate for Mr H and that IG hadn't done anything wrong. There's no requirement that IG then had to carry out a further appropriateness test to determine whether Mr H was aware of the risks of trading. Given his previous losses, I think it's clear he was aware of those risks when he started trading again in 2018 so it is likely that had an appropriateness test been completed again, he'd have passed.

Mr H has said that the regulations about this – found in COBS 10A.2. – have been interpreted too narrowly. He believes that losses should form part of this test. I need to make clear at this point that IG had no obligation to carry out another appropriateness test, so I don't need to interpret COBS 10A.2 for the purpose of this complaint. However, for clarity, the regulations are clear on what firms must do to determine if CFD trading is appropriate for a consumer and the test is there to ensure that a consumer understands the risks involved with the trading they're carrying out. There isn't a duty on IG to continually monitor Mr H's trading activity to determine whether he was vulnerable. And in any event, big losses are commonplace in this type of trading, as are multiple trades. Whilst IG does have a duty to treat customers fairly, I can't see anything to suggest that it should've been aware of information that Mr H has only just shared – specifically in relation to him being a gambler.

#### *Allowing Mr H to open positions in small cap stock*

Mr H's recent losses were realised because positions he had opened, prior to his account moving to the European entity of IG, were later closed because IG discontinued the trading of small cap stock on its platform. I can't consider anything related to that decision to close the positions as it was made by IG's European entity which isn't covered by our jurisdiction and Mr H is aware of this. But he feels he shouldn't have been allowed to open the positions, or ought to have been given a warning before doing so.

I can't see any evidence which suggests that IG was aware in 2018, when Mr H opened his positions, that a decision would be made in 2021 to discontinue the trading of small cap stock. So, I don't think it had to provide specific warnings to Mr H about this when he opened the trades.

For all of the reasons above, I don't consider IG is liable for Mr H's losses.

#### *Incorrect information*

IG has provided incorrect information to Mr H. It told him that he could open a share dealing account when this wasn't possible as he wasn't resident in the UK. It also told him that he'd completed a second application in 2018 and passed an appropriateness test. However this wasn't true – Mr H already had his account in 2018 and continued to trade with IG until he moved over to its European entity in December 2020. I think this caused Mr H confusion and frustration given he felt he shouldn't have been allowed to trade. As such, I think £250 compensation is fair and reasonable for this.

#### **My final decision**

For the reasons I've explained, I partially uphold this complaint. IG Index Limited must pay Mr H £250 compensation for some misinformation it gave him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 20 April 2023.

Charlotte Wilson  
**Ombudsman**