

The complaint

Mr I complains that Trading 212 Ltd placed restrictions on trading shares in companies he owned. He says he wasn't given any notice and that he's lost money because he couldn't trade.

What happened

Mr I has an execution only share dealing account with Trading 212. He had four holdings of US microcap penny stocks. He says Trading 212 restricted trading in the four stocks without giving him notice. And wasn't given any indication of how long the restriction would last. He can't buy any of the stocks and, for one of them, he can't sell either. He's unhappy that Trading 212 has passed the blame to an intermediary; he says it should have been better prepared and that it's failed in its duty of care to him.

Trading 212 said that an increase in the number of traders choosing to trade in these types of stocks had triggered concerns and investigations from regulators and liquidity providers. This led to its execution intermediary suspending purchases in these stocks. It said that, for one of the stocks, sales were also suspended, but this was lifted at the beginning of October 2021. Trading 212 offered Mr I £25 as a gesture of goodwill, which he rejected.

Our investigator didn't recommend that the complaint should be upheld. He didn't think Trading 212 had any option to restrict trading, because the restrictions were put in place by its execution intermediary. He said that the terms and conditions allowed Trading 212 to suspend or remove instruments from its platform. For these reasons, he thought Trading 212's offer of £25 was fair.

Mr I didn't agree. He said, in summary, that he lost more than £200 because he couldn't sell his stock when it was showing a profit.

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 find I have come to the same conclusion as the investigator for the following reasons:

Trading 212's terms and conditions say:

"We shall have the right to Introduce new Financial Instruments and Market Hours for trading at the Trading Platform and to suspend and/or remove from the Trading Platform any Financial Instrument and Market Hours at our sole discretion." (5.12)

I'm satisfied that, when Trading 212 restricted trading in the four US microcap penny stocks Mr I held, it acted in line with these terms. And I'm satisfied Mr I would have been supplied with the terms during the account application process.

But, whilst Trading 212 acted in line with the agreed terms, I also need to be satisfied that treated Mr I fairly and reasonably.

Trading 212's execution intermediary suspended trading in the shares in response to unprecedented market conditions. In the circumstances, I find Trading 212 was left with little choice other than to stop accepting orders. I'm satisfied it provided a reasonably clear explanation to Mr I; it said:

"During the recent months, there has been unprecedented market activity and volatility worldwide, including in U.S. microcap penny stocks. These stocks are especially risky due to the lack of liquidity, public information, and extreme volatility. Many microcap companies are new and don't have any proven track record. That said, the recent trading frenzy has triggered concerns and investigations from regulators, and liquidity providers. When there's a sudden influx of orders for a certain microcap security, it triggers an investigation for market manipulation and could lead to a potential suspension of the stock. Even when there's no evidence for misconduct, brokers have to take care that the traded volumes are not disproportionate to the normal activity. Based on the above, we are required to temporarily suspend the purchasing of penny stocks that are highly illiquid and have a market cap in the tens of millions. If we don't do so, we risk being suspended by both the relevant exchanges and market makers."

The explanation was similar to the Financial Conduct Authority's statement issued a few weeks earlier which said:

"Broking firms are not obliged to offer trading facilities to clients. They might withdraw their services, in line with customer term and conditions if, for instance, they consider it necessary or prudent to do so. Firms are exposed to greater risk and therefore more likely to need to take such actions during periods of abnormally high transaction volumes and price volatility."

In the circumstances, Trading 212 couldn't have provided Mr I with any notice of the restrictions, as that would likely have resulted in an increased volume of trading in a short period, which was exactly what the suspension was seeking to avoid.

I appreciate it will have been frustrating for Mr I to watch the price movements of the stocks he held without being able to purchase more shares – or, in the case of one of his stocks, not being able to sell them for several months. But, in light of the unprecedented market activity, I don't find Trading 212 acted unreasonably, or that it treated Mr I unfairly. It follows that I don't find it is obliged to compensate Mr I for any loss he feels he's made by not being able to trade the stocks.

Trading 212 offered Mr I £25 as a gesture of goodwill, which I consider to be a fair offer in the circumstances.

My final decision

My final decision is that Trading 212 Ltd should pay Mr I £25.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 1 December 2022.

Elizabeth Dawes
Ombudsman