DRN-3996937

The complaint

Mr H complained about eToro (UK) Ltd (eToro). He said eToro closed three contracts for Difference (CFD) positions incorrectly. He said the prices it used didn't reflect any market or exchange and prices it derived at seemed wrong, that led to it closing his positions unfairly.

Mr H said he would like eToro to compensate him for the losses he made on these three trades.

What happened

Mr H has a trading account with eToro. He opened three sell CFD positions in Natural Gas on 24 and 25 March 2022. He set stop loss orders on these positions. On 27 March 2022, eToro closed all three positions as the price it offered had triggered his stop loss orders, set by him.

Mr H said he lost money on these closed positions and queried how eToro had arrived at the prices it was offering. He said for a short while on 27 March 2022 the price for Natural Gas derived at by eToro was high and the spread increased to the point that his stop loss orders were triggered. He said he couldn't understand why there was such a big fluctuation in the spread and rate that eToro was offering compared to the underlying asset price. Mr H complained to eToro about this.

eToro said in response that the rates it offered and were received by Mr H on all of the three trades were correct. It said Mr H can't compare its prices to other brokers or the underlying asset as they are all different rates. It said eToro charges additional fees above and beyond the underlying market spread and this is based on a range of things. It said there were no technical issues regarding its platform. It said it didn't uphold Mr H's complaint.

Mr H was not happy with eToro's response and referred his complaint to our service.

An investigator looked into Mr H's complaint. He concluded that he was not persuaded the closing price for trades were false or manipulated or that the positions were closed out at an incorrect price. He said eToro's order execution policy stated that it used price feeds from third parties. He said he had not seen evidence that eToro would be able to manipulate prices that it provides.

Mr H was not in agreement with the investigator's view. He said he understood eToro adjusts its prices and these are not in line with the underlying asset, but he doesn't understand why its pricing in this case was so different and had changed quickly, hitting his stop loss prices set. He said it feels like it's gambling when eToro can just decide what prices to offer. He said the FCA should oversee this to ensure that what it is doing is legitimate. He said he would just like to understand whether he has misunderstood what is happening or whether he's become the victim of a scam.

As Mr H has disagreed with the investigator's findings, his complaint has been passed to me, an ombudsman, to look into.

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 have independently reviewed Mr H's complaint and have arrived at the same outcome made by the investigator, for broadly the same reasons. I will explain why.

Mr H has given three trades that he placed during 24 and 25 March 2022 in Natural Gas as examples that he thinks show eToro manipulates its pricing or at the least, provided the wrong rate. He said in these three cases, the spread on its pricing was wide and meant that it triggered his stop loss orders, incurring him a loss.

I have looked into eToro's terms and conditions and also read its order execution policy. I have looked at relevant terms in relation to Mr H's complaint and considered what he has said in relation to this.

Within eToro's terms and conditions it stated under its heading *'Limitations to our Services'* in term 4.2.e *"our prices will be different from the prices provided by other brokers, the market price, as well as the current prices on any exchanges or trading platforms".* It goes on to say in term 4.3 *"you expressly consent to us executing orders outside of a regulated market, multilateral trading facility, or organised trading facility, in the manner described in these terms and conditions".*

On reading these terms I can see that the way eToro's sets rates for its customers are not derived directly from or linked with exchanges or trading platforms and this is not uncommon with other brokers that operate similar services to it. So, in relating to the three trades in question, Mr H was trading on a derived price. I can see that it made this clear within its terms.

I have gone on to look at the fees eToro charges on trades, its pricing, and the spread.

Within term 21 fees and costs it says *"we will charge you a fee for each order we execute for you. This is called a spread"* and "*we will estimate the total amount of spread that applied each time you place an order."* It goes on to say in term 21.2. *"The spread which we charge can change due to market conditions. For example, there may be instances when market conditions can cause spreads to widen beyond the typical spreads displayed on our website and / or platform.* I can see here that it expands on how it derives at its company price: that it takes into consideration its fees, market conditions and liquidity.

I have gone on to read eToro's best execution and order handling policy. It goes on to state in this policy that its spread may vary according to market conditions and liquidity. It said that the company's price is calculated by reference to the price of the underlying asset. But as it said in its terms and conditions document its prices will be different as it adds its fees to this.

It states under a heading 'market impact' in this document that *"some factors may rapidly affect the price of the underlying instruments from which the company's quoted price is derived and may also affect other factors listed herein. The company will take all sufficient steps to obtain the best possible result for its clients."*

When I read the terms and policy set out above, I can see that eToro derives its own prices, that are calculated by reference to the underlying asset price, but also again as I have already mentioned, it takes into consideration its fees and other factors such as market conditions and liquidity.

So, when Mr H's three trades in Natural Gas were closed by eToro, it was because its company price, that it had calculated based on the factors mentioned had triggered the stop loss orders he had set. I am not persuaded it has done anything wrong here, and I haven't seen anything to suggest that anything other than what eToro has described in its terms, happened when it set its company prices in relation to Mr H's three trades.

I think the crux of Mr H's complaint: about pricing and how it has impacted his trades seems to be typical of the risks associated with trading in CFD's. He has mentioned eToro widening the spread quickly – but this is typical of this type of high-risk trading, with market and liquidity conditions impacting the price that eToro derived. In Mr H's case, I don't think his experiences of the three loss-making trades are evidence of anything other than the risks of trading CFD's materialising.

After reading all that has been submitted, I don't think on this occasion Mr H has provided sufficient evidence to persuade me he has been duped or scammed into losing his money, or that eToro deliberately manipulated the prices of the market he was trading in order to ensure he lost money. Rather, I think it has derived a price as it stated it would within its terms and policy and by doing this, it triggered the stop loss orders set by Mr H.

I appreciate Mr H feels strongly about his complaint and the losses he has suffered. But I've seen insufficient evidence of any failings by eToro in this particular complaint, or any issues with the execution of the three trades Mr H places. Based on everything I have read and the findings I have given, I don't uphold his complaint.

My final decision

My final decision is that I do not uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 24 April 2024.

Mark Richardson
Ombudsman