

The complaint

Ms S complains about Trading 212 UK Limited's (T212) decision to postpone an increase in margin requirements for all Contracts for Difference's (CFD) on stocks, hours before the market opened.

What happened

On 26 November 2020, she received a notification about her CFD account with T212. It said they were increasing their margin requirements for all CFD on stocks to 50% the following day at 15:30. They explained that this meant the existing leverage would increase to 1:2 and if she had any open positions this would affect her account margin level and may lead to automatic closure of her positions, if she didn't have sufficient funds.

She felt she wasn't given enough time to have gathered funds from other accounts or borrow money as this would take at least 4 to 5 days which left her with no choice but to close her positions. The following day, they issued a further notice that the increase in margin requirement had been postponed until 1 December 2020 by which point Ms S had already closed 15 positions realising losses of around £11,000, so she complained to T212.

They issued a final response in November 2020 saying the changes to margin call were due to extreme market conditions and the need to ensure a stable market. They are allowed to do this within the terms of the client agreement and are not liable for any losses that may be incurred as a result.

As the margin requirement changes were not implemented when initially intended, T212 agreed to make a good will gesture and offered Ms S the difference between the price she closed her position at and the best available price until the market opened on 1 December 2020 which was \$1,813.43. This amounted to £2,748 for the trades they say were affected, so they offered Ms S £2,800.

Ms S didn't understand how T212's calculations were made and believed they were responsible for her losses and should refund it all. She says she would not have closed these positions if it wasn't for T212's initial announcement to increase her account margin. In addition to her losses, she is also seeking compensation for the distress that's been caused to her. So, she brought her complaint to this service.

Our investigator didn't uphold the complaint. He said only five of the positions Ms S complains of were closed before the US market opened. As she had been informed the changes were being postponed before the US market opened, he didn't think T212 were responsible for any losses she incurred on positions after this. He agreed with the T212's calculations and that the offer was fair and reasonable.

Ms S didn't agree so this has come to me for a final decision.

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 conclusions reached by the Investigator and for the same reasons.

Customer Service

As a regulated business, T212 has several obligations they must adhere to. They have a certain amount of commercial discretion regarding how they operate, the products and services they choose to offer. There is no requirement for a business to continue to engage with a consumer once a final response letter has been issued within the given eight weeks, and a referral to this service would be the next step. I appreciate her dissatisfaction at the customer service she's received, but it is not for this service to tell a business how it should operate, unless there is evidence of wrongdoing which I can't say there is here.

Notice period

The Client Agreement which Ms S agreed to at account opening details the terms of the account and the agreement between T212 and Ms S. Clause 6.9 says T212 were within their rights to make changes to the margin requirements where necessary. Ms S doesn't dispute this point and focuses her complaint on not having enough time in between the initial margin increase notice and the proposed change implementation. So, I've looked at what notice they have given her and whether this was sufficient.

They notified her of the margin increase in writing on 26 November 2020, giving her 24 hours' notice. I understand why Ms S would feel this wasn't enough time, particularly as she wasn't able to deposit additional funds in that timeframe, however, the wider circumstances at that time need to be considered. There was greater market volatility and so with prices moving rapidly, the need to make changes quickly would be increased. This is not uncommon for this type of trading, and one of the reasons why it is high risk. Given the circumstances, I don't think the 24 hours' time given by T212 was unreasonable.

Losses incurred

Upon review of the market situation on 27 November 2020, T212 made a business decision to postpone the margin increase until 1 December 2020 and this was communicated to Ms S on 27 November 2020. Between 13:50 and 19:47, Ms S closed 15 of her positions at a loss to manage her margin. Clause 7 of the terms of the Client Agreement are clear in saying T212 will not be held liable for any losses incurred as a result of any action they've taken. In addition, the account Ms S holds is an execution only account, which means that T212 were not giving any trading advice and any trading decisions made would be considered her own decisions. As such, they could not be held liable for any losses incurred as a result of the decisions she's made.

As the changes they intended to make were postponed to 1 December 2020, T212 agreed to make a gesture of good will to Ms S. They offered her the difference between the price she closed her positions at and the best price available on the market being \$1,813.43 on the day the market opened on 1 December 2020. They agreed to pay this for all positions closed before the notification to postpone the changes was issued - before the US market opened on 27 November 2020 at 14:30.

I appreciate Ms S says she closed her positions because of the announcement to make margin increases, but I agree with T212's decision to limit any offers to positions closed before the notice to postpone changes had been sent. Any positions closed after this

wouldn't be deemed to have been closed as a result of the proposed changes initially announced. These are positions that were closed after the market opened, and most likely based on movements in the market at that time, so I'm not persuaded these were closed in order to comply with new margin requirements.

Putting things right

In terms of T212's calculations, they identified five positions that were closed prior to the market opening, positions ending 528, 213, 560, 369 and 643. The investigator has explained this in detail, and I also agree with the calculation both the investigator and T212 use. We need to consider the prices between 27 November 2020 to 1 December 2020 and the prices available on their platform at that time. These prices are not identical to the underlying market price, because T212 apply their own spread to the market price, so prices in the underlying market can only be used as an indication of the actual price.

In addition, T212 are not liable for all her losses, as the market movement meant she was already at a loss of around £6,880 because prices had fallen from her buy price. Closing these positions meant the losses were realised, so the correct calculation would then be using the difference in the closing price Ms S achieved and the best price available the day the market opened. This amounted to \$3,741.65 which is £2,748, so they offered £2,800.

It's difficult to say exactly what she would have done had the margin increase not been announced, or to say with any certainty without the benefit of hindsight when she would have closed these positions. I know Ms S will be disappointed with my decision, but I agree this resolution is a fair and reasonable way to consider any losses she may have suffered as a result of the margin increase announcement. As such, I think the offer of £2,800 made by T212 is reasonable and they should pay this to Ms S.

My final decision

For the reasons given above, I uphold this complaint against Trading 212 UK Limited. They should pay Ms S £2,800.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 19 April 2023.

Naima Abdul-Rasool
Ombudsman