

The complaint

Mr A complains that Forex Capital Markets Limited (FXCM) unfairly prevented him from adding money to his CFD trading account. He says as a result he wasn't able to prevent a margin call following which FXCM closed his open positions, crystallising substantial losses.

What happened

Mr A had written to FXCM a few times to explain he couldn't deposit money into his account from his credit card. Mr A continued to operate his account, making wire transfers from his bank branch each time he wanted to add funds.

In September 2022, Mr A had two open positions, both of which had moved against him and were running at a loss. Mr A made three attempts to add money to his account from his credit card – these weren't successful. A few days later, he made two wire transfer deposits (on 21 and 22 September) totalling €5,000.

On 23 September, which was a Friday, Mr A received a margin warning from FXCM. This meant his account value, made up of cash and floating profit/loss on open positions, had fallen below the margin requirement for his positions. At this stage Mr A's positions remained open, but he couldn't open new trades.

In the early hours of 26 September, Mr A's account value dropped below 50% of the margin requirement. FXCM closed his trades – first one, then the other about four minutes later.

Mr A complained. He said the only reason his account fell into margin deficit was because he wasn't able to add money to his account. He said FXCM knew about the issues he'd had with his credit card, and that he wouldn't be able to make a bank transfer over the weekend. He didn't think FXCM should have closed his trades.

FXCM didn't uphold his complaint. It said the terms set out that if Mr A's margin fell below the required level it could close his positions. And that it offered a range of ways Mr A could fund his account.

Mr A came to our service, and one of our investigators looked into things. He didn't think FXCM had treated Mr A unfairly.

He thought FXCM had acted in line with the terms of the account. And he thought it was Mr A's responsibility to ensure the account was managed in line with the margin requirements.

Mr A disagreed and asked for an ombudsman's decision. He said this problem only seemed to arise with FXCM, and it should have fixed it. He thought FXCM should either find a way to stop his credit card deposits being rejected, or offer an alternative like PayPal which he'd be able to use.

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've reached the same conclusions as our investigator, and for largely the same reasons.

I don't think that FXCM is obliged to allow Mr A to deposit money into his account through any means he chooses. The terms of Mr A's account, which he'd have had to agree to in order to open the account, say he can make payment by an approved card, crossed cheque, bank wire or other methods specified by FXCM – which it has said included services such as Skrill and Neteller.

Mr A had tried to use his credit card to add funds before, and it hadn't worked. FXCM has explained it was its third party payment vendor that declined the payments. Overall I think it's fair and reasonable for FXCM to have offered the range of payment options it did, which weren't, in my view, unfairly restrictive. Whatever the reason for FXCM's vendor declining Mr A's payments, I don't think it would be fair for FXCM to be required to change its processes to allow Mr A's particular card to deposit money. There were, in my view, a reasonable range of options available to Mr A to add money to his account. I note Mr A's arguments that other CFD providers have let him use his credit card. But I don't think that means FXCM had to, it was free to exercise its commercial judgement about how it wanted to accept deposits.

Mr A had highlighted this issue to FXCM before the events subject to this complaint. I do think FXCM could have done more to explain why the card payments were being declined. But I don't think it changes things in the context of this particular complaint. It's enough that Mr A was clearly aware he couldn't use that card to fund this account.

This awareness is crucial when it comes to the closure of Mr A's positions. The terms of Mr A's account are clear that he was "*obliged to maintain in your Account at all times, sufficient funds (taking into account P&L) to meet all Margin Requirements*". And that if he didn't, and "*where there is any shortfall between your account balance (taking into account P&L) and your margin requirement for all open transactions, or where you are in breach of an applicable position limit, we may close one, several or all of your open positions immediately, with or without notice to you.*"

So on 23 September, Mr A was, or should have been aware:

- He had open positions which had a margin requirement,
- If his account value fell below that margin requirement, FXCM might close his trades,
- He was currently unable to deposit funds from his credit card (having tried to a week or so before),
- The underlying markets for his positions would be open before he was able to make a bank transfer,
- And so if the positions moved against him before he could add more funds, he might fall into margin deficit and FXCM would close his trades.

This is, in fact, what happened. I don't think FXCM was responsible for Mr A's trading decisions, or for his inability to fund his account when he wanted to. I'm satisfied it was Mr A's responsibility to manage his margin, and to fund his account through a means FXCM would accept. So it follows that I don't find FXCM responsible for any losses Mr A may have suffered as a result of his positions being closed on 26 September. As a result I don't think it would be fair and reasonable to require FXCM to pay Mr A any compensation.

My final decision

For the reasons I've given I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 26 December 2023.

Luke Gordon
Ombudsman