DRN-4192360

The complaint

Mrs I complains that Trading 212 UK Limited unfairly closed one of her contract for differences positions which resulted in a loss. She wants the transaction cancelled and the loss refunded.

What happened

Mrs I opened a contract for differences ("CFD") trading account with Trading 212 in March 2023.

In April 2023 Mrs I held an open position in a currency pairing and she'd set a stop loss at 1.99666. Trading 212 closed the position at 2.0016. Mrs I says this resulted in a £75 loss. She complained to Trading 212, saying that information from other brokers showed that the high price of 2.0016 was never reached.

Trading 212 said Mrs I's stop loss price was achieved during a period of rapid market movement and the order was filled at the next best price to prevent further losses being incurred. It explained there was a price spike, which wasn't unusual during the first hour when the market in the currency pairing moved from New York to Sydney. It said it had acted in accordance with its agreed terms and order execution policy.

Our investigator didn't recommend that the complaint should be upheld. He agreed with Trading 212's explanation of what happened and thought it had treated Mrs I fairly.

Mrs I didn't provide any further information or argument but said she didn't agree with the investigator's conclusion. So the complaint was 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 find I have come to the same conclusion as the investigator for the following reasons:

A stop loss order is used to close an open position at a certain loss. Mrs I's stop loss order was set at 1.99666. I find that the order was correctly triggered when that price was hit on 7 April 2023. This meant that the order became a market order and was executed.

The order was executed at the next price available which, due to market conditions, was 2.0016. I'm satisfied that Trading 212 gave Mrs I a warning that any stop loss order might not be executed at the stop loss price. I say this because the order execution policy says:

> *"When the price reaches an order level set by a client, for example: Stop, Take Profit, Trailing Stop, Market Order, Limit Order, these orders are executed immediately. However, under certain trading conditions, there is a possibility that these orders cannot be executed at the client's requested price. When this happens, the Company has the right to execute the order at the first available price. This may occur, for*

example, at times of rapid price fluctuations if the price rises or falls in one trading session to such an extent that, under the rules of the relevant exchange, trading is suspended or restricted. Such fluctuation can result in a better or worse price being received. This may also occur during thin liquidity conditions."

And the risk disclosure notice warns that prices can fluctuate rapidly and that:

Furthermore, sharp, sudden and unexpected movements in the underlying product's price may result in a substantial and magnified profit or loss to you. Markets may not move in a smooth fashion, and price 'gaps' may occur with consecutive quotations far apart. There may not always be an opportunity for you to place an order or for our platform to execute an order at the price level which you have selected. One of the effects of this may be that stop-loss orders are executed at unfavourable prices, either higher or lower than you may have anticipated, depending on the direction of your trade. (9.3)

I find that there was a price spike which caused Mrs I's order to be executed at a higher price than she'd set. And that this was fair as it was the next price available after the stop loss had been triggered.

In its final response to Mrs I's complaint, Trading 212 explained that the currency pairing was usually volatile at around the time her stop loss triggered. I'm satisfied with the explanation it provided which was:

"…each day at exactly 22.00 UK time, the market shifts from New York to Sydney. Since the shift is from the second most liquid session to the most illiquid one, the floating spread of the FX instrument widens for exactly one hour before the liquidity injection from the Tokyo market opening tightens them back at 23:00 UK time."

Mrs I had chosen to take a position in this currency pairing CFD on an execution only basis. In other words, it was her decision to trade in this currency pairing CFD and her responsibility to understand the nature of the investment, including the nature of the risks involved and the price volatility. And I'm satisfied Trading 212 gave her enough clear, fair and not misleading information – through its agreement, its risk disclosures and its key information document for foreign currency pair CFDs, for her to have this understanding.

Mrs I provided evidence of prices quoted by other brokers which showed highest prices lower than the stop loss price she'd set. And lower than the price her position was closed at. But by trading a CFD Mrs I was trading a price that Trading 212 quoted. This doesn't mean Trading 212 could quote whatever it wanted – it needed to ensure that the price fairly and accurately reflected the underlying currency pairing. And it needed to take steps, in line with its best execution obligations, to ensure that the prices it was quoting on its platform were a fair reflection of what was happening in the underlying market. This is set out in its Order Execution Policy:

"As a manufacturer of CFDs T212's quotes are bespoke to the firm's own product terms and therefore the way in which T212 ensures that it meets its best execution obligation to its clients is by ensuring that in its calculation of its bid/offer prices, due regard is given to the market price for the underlying reference product to which the CFD relates. T212 subscribes via its data vendor to multiple price feeds, including nominated wholesale market participants and from regulated markets/exchanges upon which its products are listed or from which its instruments are derived. T212 reviews the list of exchanges used for sourcing the Best Bid/Offers periodically in order to source the best available liquidity."

Trading 212 also applied a spread to every order – the difference between the sell and buy price quoted on its platform. This is very common industry practice.

What this means is that the prices quoted by Trading 212, and therefore the price at which Mrs I’s order was executed, differed from the prices quoted by other brokers.

Taking into account all the evidence I’ve seen, I’m satisfied that the order execution price fairly reflected the underlying market. And, for the reasons I’ve explained, I don’t find Trading 212 treated Mrs I unreasonably or unfairly.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs I to accept or reject my decision before 3 July 2024.

Elizabeth Dawes
Ombudsman