

The complaint

Mr A complains that Plus500UK Ltd applied an unfair ask price to a Contract for Differences (CFD) options contract for which he held several positions, leading to a margin call and closure of the positions.

What happened

The background to Mr A's concerns is well-known to both parties, but I'll briefly summarise the circumstances.

On 27 October 2022, Mr A held four sell positions in Plus500's Put 50 | Oct | Twitter instrument. They were all closed due to a margin call when its price hit 0.49, resulting in a loss. Mr A feels, in short, that this ask price didn't reasonably reflect the underlying market.

As a secondary issue, Mr A noted that earlier the same day he tried to close several other positions but trading in the instrument was being paused on an intermittent basis preventing him from closing at a price he feels he should've been able to close at, as stable price quotes were being provided by Plus500's liquidity provider.

Mr A raised his concerns with Plus500, but it didn't uphold the complaint in respect of either issue. (Mr A has raised three complaints against Plus500 concerning similar and related issues, in part preceding the issues dealt with here. For clarity, this decision deals solely with the events of October 2022, as noted above)

In response to Mr A's complaint Plus500 said, in brief, that it had correctly closed the Put 50 | Oct | Twitter positions, in accordance with its terms, as Mr A's equity had fallen below the required level. It said the price that prompted the closures had reflected the activity in the market and it provided liquidity provider data in support of its view. Regarding the other issue, earlier in the day, it explained that trading had been paused at the time due to low trading volume, meaning that with fewer transactions taking place price quotes from liquidity providers might not be received.

Unhappy with Plus500's response, Mr A referred his complaint to this service, but our investigator also didn't think the complaint should be upheld.

He said that given the terms of the agreement between Mr A and Plus500 and the pricing data it had provided he didn't think Plus500 had acted unfairly. It had confirmed it had been using three active liquidity providers at the time as, although a CFD instrument would generally have one main provider, if that provider failed to provide liquid and/or steady price quotes, its system will check its backup providers to see if there are more liquid and/or steady quotes available elsewhere.

The investigator explained that the data provided by Plus500 indicated that its data feeds were moving between several providers around the time Mr A's positions were closed. Two weren't providing rates that met its tolerance levels as they were too volatile and/or they weren't sufficiently frequent. So, the rate used was based on data provided by a third liquidity provider, which the investigator felt was reasonable.

Mr A didn't accept the investigator's view. He said, in brief:

- Plus500's reliance on the quote of the alternative liquidity provider was in violation of its Order Execution Policy and COBS, as it should've picked the most competitive rates. The primary liquidity provider had been providing stable quotes, so Plus500's system should've picked up that the quote it actually used was inappropriate.
- Plus500 failed to pass on the most competitive rates, instead choosing unrepresentative ones that led to the closure of the positions and an unfair gain for Plus500.
- Plus500 also claimed that the spread, and ask price, it had applied was better than the quote it has been provided with (the applied ask price was 0.49, but the liquidity provider had given a spread of 0.12 – 0.59). But Plus500's claim that Mr A had effectively benefitted was misleading because the rates used weren't in line with the underlying market. There had been stable rates available from Plus500's primary liquidity provider and the quotes on the exchange to which it linked for information had also been in line with this.
- In summary, Plus500 unfairly chose the most extreme prices, not the most competitive ones.

The investigator wasn't persuaded to change his opinion, so the matter was referred to me to review.

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.

As noted, I've summarised the issues and the arguments made so far in considerably less detail than the parties to the complaint, and in my own words. While I've given very careful consideration to everything that's been said and provided, the purpose of my decision isn't to address every single point raised.

If there's something I don't mention, it isn't because I've ignored it. Rather, I'm satisfied I don't need to comment on every individual point that's been made to reach what I think is the right outcome. No discourtesy is intended; our rules allow me to do this, and it reflects the informal nature of this service as a free alternative to the courts. Where matters are unclear or in dispute, I've reached my conclusions on the balance of probabilities – in other words, what I consider more likely than not to have happened based on the evidence available and the wider circumstances.

In reaching my outcome, I've taken into account relevant law and regulations; relevant regulators' rules guidance and standards; codes of practice; and, where appropriate, what I consider was good industry practice at the relevant time. But I think it's important to note that while I take all those factors into account, I'm ultimately deciding what I consider to be fair and reasonable in all the circumstances.

While I appreciate the arguments Mr A has put forward, I'm nevertheless not persuaded Plus500 acted unfairly or unreasonably in applying the spread it did to the Put 50 | Oct | Twitter instrument, and as such the ask price that led to the closure of his positions. While I appreciate that the spread/price applied can be seen as an outlier when viewed in the context of the price feeds Plus500 was receiving around the time in question, that doesn't in

itself render it as incorrect or unfair. And it must be remembered that the data feed information is subject to review and adjustment by Plus500 in the process of determining whether it can and should be presented for trading.

As the terms of the user agreement between Mr A and Plus500 set out, Plus500's prices are its own.

"15.6. You acknowledge that whilst the Prices displayed on our platform will take into account a variety of factors including prevailing conditions and trading demand on the Trading Platform, market data from various third-party external reference sources, they are not taken directly and/or exclusively from one source, and therefore may not match prices that you see elsewhere (including prices quoted on stock exchanges). You further acknowledge that the triggering of your Transaction is linked to the prices we quote on the Trading Platform, not the prices quoted on the relevant Exchanges."

I note that Mr A has sought information regarding the details of all feeds available to Plus500, the system 'rules' concerning how and why a particular feed is chosen, and related tolerance levels. I understand his desire to obtain an element of certainty around the spreads and prices that it applied, and in the apparent absence of that, he feels Plus500 has acted unfairly.

But it is the case, as is quite typical with brokers providing the type of trading facility Plus500 provides, that the determination of its prices involves an element of commercial discretion. By that I don't mean that it simply applies whatever price it likes, irrespective of what the underlying market might be doing. Rather that the precise blend of factors and how they combine to work will be unique to Plus500. It makes clear that its prices are its own and that is the basis upon which transactions with it are carried out.

Of course, that doesn't absolve Plus500 of its over-arching responsibility to conduct its business fairly. But having looked closely at the situation I don't think the price at which Mr A's position was closed suggests that Plus500 wasn't acting fairly. It has provided evidence that supports it receiving a quote from one of its liquidity providers that broadly reflects the price it applied. Indeed, the spread it did apply, (0.23 – 0.49), was narrower than the quote data it received (0.12 – 0.59) as a result of, among other things, its use of a rolling average in determining its spreads (along with the variety of other factors noted above). I recognise that Mr A feels this point is misleading because he believes the particular pricing data shouldn't in any event have been relied upon at all. But my view differs, as I think it's a point relevant to demonstrating how the pricing process works.

Although it's become a somewhat secondary issue in the investigation of this complaint, for completeness I find I'm not persuaded that Plus500 acted unfairly or unreasonably in respect of the pausing of trading in the Put 50 | Nov | Twitter earlier in the day.

The relevant User Agreement states at 13.7:

"You acknowledge that the trading of certain instruments on the Trading Platform may become volatile or illiquid without warning. In such circumstances, it may not be possible to immediately execute orders on your behalf and trading will resume as soon as we receive a reliable price feed, particularly in the period shortly before an expiry, usually for Futures contracts and Options."

Plus500 has said that trading in the instrument was pausing intermittently at the time in question as a result of rates not being provided due to low trading volumes. Mr A's submissions appear to confirm this to have been the case. As such, I'm satisfied this was a situation covered by the terms of the agreement between Plus500 and Mr A. I can

understand the frustration with trading becoming available again at a price that led to a margin call for Mr A and resulting loss. But I'd stress that it remained Mr A's responsibility to maintain sufficient margin to support all his open positions.

In closing, I appreciate Mr A will be very disappointed with my decision. I recognise his strength of feeling. But ultimately, I am, as noted, deciding whether Plus500 acted fairly in pricing as it did and whether it applied its terms correctly in closing the positions. And, on balance, I am satisfied that it did.

My final decision

For the reasons given, my final decision is that I don't uphold the complaint.

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

James Harris
Ombudsman