DRN-4221697

The complaint

Ms C complains about the way eToro (UK) Ltd handled her Contract for Differences (CFD) trading account.

What happened

Ms C raised several complaints about eToro's service. These included:

- Being misled into opening an account with eToro due to the promise of an eToro debit card that she never received;
- eToro gave her poor advice and mismanaged her account;
- There was unclear or unexplained activity on her account;
- The information on eToro's website was misleading and its overnight fees were too high and deducted from her available balance;
- There were large spreads in the various contracts she was trading during volatile market movements;
- She raised a number of individual trades that she claimed weren't closed when her unrealised losses reached 50% of the available margin, therefore causing her additional losses. And further, other trades where she was closed at 50% profit, thereby limiting her upside;
- She had too many account managers;
- She was encouraged to apply for a professional account even though she was making significant losses.

As a result of all these issues, Ms C claimed that eToro should compensate her for her losses amounting to around $63,000.

One of our investigators looked into her complaint. He summarised eToro's position, which was that it didn't think it had done anything wrong. He asked it to comment in detail on the trades Ms C had raised, and eToro provided explanations for what happened. Taking all this evidence into account the investigator concluded that:

- In relation to the stop losses and take profit levels of the trades Ms C had raised, eToro had acted fairly and reasonably, and in line with the terms. He said he found no evidence of system issues with eToro's platform. He said that Ms C had amended the stop losses on those trades herself, by basically adding additional margin from her existing cash balance. Furthermore, on some of the trades there was slippage caused by volatility in the market, which is what caused the trade to realise more than a 50% loss.

- He was satisfied that the issues Ms C was complaining about, ranging from wider spreads in volatile markets to overnight fees, were things which eToro explained in the terms and on its website, and therefore Ms C had sufficient information to be able to manager her account effectively.

- He didn't think it was unusual for a retail client to have different account managers, and didn't think this was something he could be critical of. He didn't consider he could infer that this meant something had gone wrong in the management of her account.

- The investigator acknowledged that Ms C said she only opened the eToro account in order to get an eMoney debit card. The investigator explained that she was initially ineligible for the card due to the type of account she opened – and the investigator said this was made clear in the FAQs on eToro's website. He acknowledged that Ms C's account type would now qualify for this type of card, but eToro explained that there was a system issue which meant that only her original account type, which was not eligible, was recognised. eToro had explained that it was aware of this issue and was working to fix it.

- The investigator wasn't persuaded the inability to now obtain this debit card made any difference to Ms C's decision-making. He also said that having looked at how her account was opened, he was satisfied eToro had followed the correct processes and provided her all the relevant risk warnings.

- The investigator said the evidence showed that Ms C didn't change her account from a retail client account to a professional client account, and there was therefore nothing further for him to consider on this issue.

Ms C didn't agree with the investigator. She provided some evidence to show that when she first opened her account she was eligible for the debit card, and she said eToro's website was misleading. She said it showed that you needed be a 'silver member' with a balance of £5,000 or more to receive the card – and she met this criteria. She said she was consistently told by her account manager that the card would arrive, but she had not received it. She said she would never have opened her account with eToro had she known she wouldn't receive the debit card, and therefore wouldn't have deposited and traded as she did.

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 understand Ms C's strength of feeling on her complaint, and the reasons she has raised her concerns. However, I hope she doesn't take it as a discourtesy that I don't intend to respond to every point she has raised, or answer every question she has asked.

Although I've considered everything she has said, and all her communications with the investigator, the purpose of my decision is to focus on the key issues in the complaint, and give my reasons. That is what I've done here.

In this case, I'm sorry to say that I don't have much to add to what the investigator has already told her.

In relation to the trades that she has disputed, I've seen insufficient evidence to conclude that there was anything wrong in the way those individual trades were closed, or in the prices she received. It's important that I highlight that the primary responsibility for opening or closing trades was Ms C's, and it was therefore up to her to decide at what level to set various stop losses or take profit levels.

eToro has provided persuasive evidence that it was in fact Ms C that amended the various stop losses on the trades she complained about, and it has explained that she was able to do this by, essentially, providing more margin from the available cash balance in her account.

Furthermore, the regulator makes it clear that 'a firm must ensure a retail client's net equity in any account used to trade restricted speculative investments does not fall below 50% of the margin requirement required to maintain the retail client's open positions'. When this happens, the regulator expects firms to 'close retail client's open positions […] as soon as market conditions allow'. This means that firms are required to take action, but the price that is achieved in the market will vary and may mean a client ending with less than 50% net equity in the account depending on how volatile the underlying market is.

The other key issue that Ms C has raised is to do with a debit card that she says she was misled into believing she'd receive by opening a specific type of account with eToro. I'm not disputing that this was a key driver for Ms C to open an account with eToro – but in my view, it would not be fair and reasonable to compensate her for trading losses that I consider are entirely unrelated to the failure by eToro to provide her such a card, even if I agreed her account type ought to be eligible for it.

Ms C could've waited to receive the card before trading – so that in the event the card wasn't promptly received, she could have withdrawn her balance and opened an account elsewhere.

Once she began trading, she accepted eToro's terms and decided she was happy with the account despite not having yet received the card. But her additional deposits over and above the $5,000 she said she needed, and the trades she decided to open, were not in consequence of any act or omission by eToro.

It seems to me that at this moment in time, eToro has been clear with Ms C that it cannot provide her with the card she seeks due to a system issue. Whilst this is unfortunate, I'm not persuaded any financial loss has resulted from this error.

Taking all this into account, I'm therefore not persuaded eToro ought to pay Ms C any compensation – and I'm satisfied that what Ms C is claiming would not be fair and reasonable.

My final decision

For the reasons I've given, I don't uphold Ms C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 29 February 2024.

Alessandro Pulzone
Ombudsman