

The complaint

Mr W complains that IG Markets Limited suspended trading in his account without proper explanation. He says this has resulted in large losses which he wants refunded.

What happened

Mr W opened a contract for differences (“CFD”) trading account with IG Markets in 2019.

In January 2023, he says trading was suspended on his account without any proper reason. He was told he would need to close his open positions and apply for a new account with IG’s international branch. But Mr W said this would realise a loss which IG Markets should pay as it wasn’t his fault that the account was suspended.

IG Markets said that, because of Mr W’s place of residence, he couldn’t continue to hold an account with it. And it couldn’t transfer his open positions to its international branch – where he was eligible to open an account - because it had different account opening processes and requirements.

It said it had acted in line with the agreed terms in suspending Mr W’s account from opening new positions and that it had given him time to trade out of his existing positions as he saw fit.

Mr W referred his complaint to us. He said he hadn’t changed address since he opened the CFD account and had used the same bank account to make deposits and withdrawals. He complained that he couldn’t close his positions without risking a margin call, or a total loss of equity, and that IG Markets should offer a more workable solution.

Our investigator initially thought the complaint should be upheld. He concluded IG Markets had allowed Mr W to open an account when it should have been rejected because of his residency. The investigator was satisfied that IG Markets was now taking the right steps – by closing the account – but that it needed to cancel his open positions to prevent Mr W incurring a financial loss. The investigator also recommended IG Markets should pay Mr W £150 for the distress and inconvenience he’d been caused.

IG Markets didn’t agree. It said procedures and requirements had changed since Mr W had opened the account. So his eligibility to open and maintain an account was only identified when he made a deposit from an EU bank account in January 2023. It said any losses on Mr W’s positions were due to his own trading decisions. IG Markets said it was difficult to determine when its controls should have flagged up Mr W’s account and so it was prepared to offer him £500, as a gesture of goodwill.

Our investigator put IG Markets’ offer to Mr W, but he didn’t accept it. He agreed with the investigator’s conclusions.

Our investigator reconsidered the complaint, in the light of IG Markets’ further comments and offer. He still thought IG Markets should have flagged that Mr W didn’t satisfy its jurisdiction rules at the outset and that, if it had acted correctly, Mr W wouldn’t have been able to open

the positions he had, so these should now be cancelled.

Mr W contacted us to say that he'd had to deposit money into his CFD account to cover overnight funding charges and to meet margin calls. In June 2023 he decided to close all of his open positions to avoid a further margin call.

IG Markets said it didn't do anything wrong when it allowed Mr W to open an account. It said the risk profile of his residency and his chosen bank account had changed in response to changing anti-money laundering requirements. It said it had acted fairly in allowing Mr W to wind down his positions at his own discretion.

The investigator clarified that he thought the account suspension and closure was fair, because IG Markets had to satisfy its jurisdiction rules and it wasn't able to maintain Mr W's account because of his residency and the location of his bank account. He'd recommended IG Markets should cancel Mr W's open positions as an alternative to a "forced closure". But he was satisfied that IG Markets had given Mr W the opportunity he wanted – "*to trade his way out*". The investigator thought Mr W's decision to close his positions was his own trading decision. And he thought Mr W should now accept IG Markets' offer of £500, which was more than he'd recommended.

Mr W didn't agree. He said, in summary, that:

- He'd done nothing wrong and had acted in good faith. He'd continued to fund the account to avoid a margin call because he believed matters would be resolved and his account would be re-opened.
- IG Markets gave him wrong information. It was only when the investigator communicated the real reason for the account suspension that he realised his account wouldn't be re-opened so he decided to close his open positions.
- He wasn't given the opportunity to trade out of his negative positions because he wasn't able to open new trades to hedge his exposure. IG Markets effectively locked in his losses, and it should refund them in full.

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.

Firstly, I'm aware that I've summarised this complaint in far less detail than the parties and in my own words. There is a considerable amount of information here but I'm not going to respond to every single point made. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

I find the agreed terms and conditions for the CFD account allowed IG Markets to suspend Mr W's account. They say:

"We reserve the right to Suspend any or all accounts you hold with us at any time. If we Suspend your account(s), it means that: you will generally not be permitted to open any new Transactions or increase your exposure under you existing Transactions, but you will be permitted to close, part close or reduce your exposure

to us under your existing Transactions; you will no longer be permitted to trade with us via our Electronic Trading Services, rather you will be required to trade with us via the phone.....” (27(1))

Whilst the terms give IG Markets the *right* to suspend Mr W’s account, I would only expect it to take that decision if it was reasonable in the circumstances and to allow Mr W to close any open trades as set out in the terms.

I think IG Markets did act reasonably here. Its systems flagged an issue in or around January 2023 when Mr W made a deposit into his account from an EU bank account. Whilst this hadn’t raised any queries in the past, IG Markets is required to take a risk-based approach to money laundering and put appropriate measures in place. And these measures and checks reasonably change over time due to changes in regulations or changes in circumstances. Due to this flag, IG Markets investigated further and realised it could no longer maintain Mr W’s account because he was resident outside of the UK. Whilst Mr W’s address hadn’t changed since he opened the account, requirements and internal processes had changed and I don’t find it wrong that IG Markets was no longer able to allow Mr W to maintain an account with it in the UK.

In line with the agreed terms, IG Markets told Mr W he wouldn’t be able to open any new positions. But he was told he would be given time to *“trade out of your positions as you see fit”*. I appreciate Mr W feels he wasn’t given the opportunity to recover any losses from his open positions because he wasn’t able to hedge them by opening any new positions. But I don’t find this to be unreasonable – IG Markets couldn’t maintain the account, so it needed to close it; it couldn’t reasonably keep things open-ended by allowing Mr W to continue to open new positions.

IG Markets told Mr W he could open an account with its international branch. But it couldn’t transfer his open positions to a new account, as Mr W suggested, because that international branch was a separate legal entity.

Mr W says he incurred losses from January 2023, when his account was suspended, to June 2023, when he closed his positions, because of over-night funding charges and margin requirements. But I find the terms of the account are reasonably clear that Mr W would continue to be subject to relevant fees, charges, and margin calls for his open positions. The terms say:

“Any Suspension or termination of this Agreement will not affect any obligation that may already have been incurred by either party in response of any outstanding Transaction or any legal rights or obligations that may already have arisen under this Agreement or any dealings made thereunder.” (28(5))

And

“You acknowledge: (a) that it is your responsibility to be aware of, and further that you agree to pay, the Margin required at all times for all Transactions that you open with us.....” (15(4))

Mr W made a loss when he closed his positions. But, for the reasons I’ve already outlined, I find IG Markets fairly gave him the opportunity to choose when he closed his positions, and I can’t hold it responsible for the losses.

IG Markets has acknowledged that it could have made things clearer. And it probably should have identified it couldn’t keep the account open because of Mr W’s place of residence earlier than it did. I find IG Markets’ offer of £500 fairly compensates Mr W for these short-

comings and for the inconvenience the suspension and closure of the account caused.

My final decision

My final decision is that IG Markets Limited should pay Mr W £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 25 June 2024.

Elizabeth Dawes
Ombudsman