

The complaint

Mr M complained about IG Markets Limited trading as IG. He said IG made mistakes in a series of trades, resulting in him taking unnatural and unaffordable risks thereafter. He said this placed him in further debt and IG are responsible for this. He said he would like IG to pay compensation for the losses he made.

What happened

On 19 August 2021, Mr M opened a trading account with IG. Shortly after, Mr M began trading in contracts for differences (CFD) predominantly in oil options. On 4 March 2022, Mr M was notified by IG that he was due a refund. It said in an email, that it had made errors calculating the margin for some oil option trades he had made and that it would refund his losses associated with this. It then went ahead and paid Mr M compensation.

Mr M complained to IG about this. He said the losses he made on the affected trades, influenced his trading shortly after. He said he tried to recoup his losses by trading in high-risk positions, committing more than he could afford. He complained to IG that it should refund losses he made, that he thought stemmed from its mistakes.

IG said in response that it made an error in relation to short oil options traded between 24 April 2020 and 25 February 2022. It said this affected a number of clients, not just for Mr M. It said it corrected this by refunding all losses incurred by its clients. It said to remedy its mistakes, it refunded Mr M the net loss it said he had made and credited this amount to his account. It said this was around £13,759.

IG said it could find nothing to indicate the reduced margin error had resulted in Mr M making losses elsewhere. It said it was Mr M's responsibility to ensure he was monitoring his open positions, managing his risk appropriately and not trading with funds they he couldn't afford to lose. It didn't uphold Mr M's complaint.

Mr M was not happy with IG's response and referred his complaint to our service.

An investigator looked into Mr M's complaint. She initially upheld Mr M's complaint, because she couldn't see how IG arrived at the refunded amount that Mr M had already received. After clarification, she issued a second view. In this she said the refund amount Mr M had already received was an accurate reflection of the net losses flowing from affected trades. She said she didn't think any other trades made by him were directly affected by IG's mistakes. The investigator then went on to make findings in relation to Mr M's trading history and concluded that it was too difficult to conclude whether any of these trades placed by Mr M were as a result of the losses suffered by the short oil options, that he was compensated for.

Mr M was not in agreement with the investigator's view. He said he had not been able to validate any of the refund calculations made by IG or identify the affected trades. He said what he believed were the affected trades did not correlate with IG's calculation. Mr M reiterated at this stage, that he still felt IG were responsible for wider losses he incurred, not just on the trades affected by an incorrect margin ratio. It was at this stage that the

investigator provided Mr M with two spreadsheets, showing the affected trades and a breakdown of how the net position of these trades equalled the total compensation he had received. Mr M was not happy with the investigator's outcome so asked for his complaint to be referred to me.

The parties have not resolved matters. So as this is the case, Mr M's complaint has been passed to me, an ombudsman, to look into.

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 have independently reviewed Mr M's complaint and having done so I have arrived at the same outcome as the investigator, for broadly the same reasons. I will explain why.

Mr M has two complaint points that I feel I need to revisit and make findings on. These are firstly that he says he has not been able to validate the refund made by IG. And secondly, that he says he took unnatural and unaffordable risks on other trades after the affected trades took place, and he thinks IG is responsible for this too.

IG's calculation

IG said it made errors and that it applied an incorrect margin ratio to anyone who had opened a sold oil option trade between 24 April 2020 and 25 February 2022. It has since clarified that it had done this for all trades carried out by its customers between this time period, so Mr M was one of a number of customers affected.

IG has told our service its calculation is correct and reflects the losses Mr M has made only on oil option trades that he took out in the time period that it made the margin error on. Mr M on the other hand has said he has not been able to validate any of the refund calculations made by IG or identify the affected trades. So as there is still a dispute, I have looked into this.

IG sent a refund to Mr M on 4 March 2022 and paid around £13,759 on his account. This represented what IG had calculated were the losses made by Mr M on oil option trades in the period of time in question. After some clarification, IG has explained that it calculated what Mr M's *net position* was on the affected trades. Rather than calculate his individual losses and refund these, whilst keeping the individual profit made on trades, as was originally suggested. I don't think IG has been unreasonable with how it has calculated Mr M's compensation, using the net position that these trades would have accrued. This is because it demonstrates what Mr M would have lost overall but for IG's mistakes. Doing anything else as suggested by IG initially, would have put Mr M in a better position than he would have been in but for the mistakes it made.

IG has produced a transaction list of all of Mr M's trades. It has also highlighted all of the affected trades that it took into consideration when it calculated the refund, that it paid to Mr M. I can see the investigator has already looked through the statements and has produced a separate list of these trades so that she could calculate what the overall loss was, and has compared this to the amount IG had refunded Mr M. She concluded the refund amount arrived at by IG was an accurate reflection of the net losses flowing from the affected trades – these being the trades IG used incorrect margins for. Both spreadsheets have been sent to Mr M.

Mr M has told our service that he has not been able to validate the calculation or identify the affected trades. But, when I consider this and look through the spreadsheets in question, I don't think I can uphold Mr M's complaint here. I haven't seen anything to suggest that the calculation is incorrect or should be any different to what he has already received.

So, based on what I have just found, I don't think IG needs to do anything further than what it has already paid to Mr M, with regards to the affected trades that it said it applied an incorrect margin ratio to.

Other trades

Mr M said after he made losses on the affected oil option trades, he went on and took unnatural and unaffordable risks on other trades. He said he wouldn't have done this if he hadn't made such high losses on the affected oil option trades he took out. Mr M said this was because he was seeking to recoup the losses incurred. He said IG has admitted it made mistakes with the affected oil option trades and by extension it should take responsibility for his other losses too.

I have looked through the transaction history spreadsheet provided by IG and can see all of the trades Mr M placed, this being a comprehensive list of Mr M's trading between 23 August 2021 and his last trade on 9 March 2022 – the timeframe where he was actively making trades on the account.

IG has highlighted on the transaction history, the affected trades – the ones it has already paid compensation for. IG has said there were two upticks in Mr M's trading these being in November 2021 and February 2022, where Mr M took on more sizable positions in options at that time, but in other months this was not the case. I have looked into this and can see Mr M traded, mostly in oil options, with regularity on most days that he held the account with IG, and sometimes several times in a day. By the time Mr M took out the first affected trade with an incorrect margin ratio, he had already made around 120 trades in oil options. He continued to do this with the same regularity throughout the period that he held an open account with IG. I can see that he made some trades in Natural Gas and Tesla Motors but predominantly he was trading in oil options and with the exception of the spikes in volume that have already been identified, in general Mr M's trading pattern was fairly consistent.

Taking what I have seen into consideration, I can't on balance say that Mr M's trading changed in the way he suggested it did. When I see the transaction list and consider the volume of each trade, associated risk and quantity of the trades Mr M placed, I don't think I have seen anything that supports Mr M's view about his trading history after he incurred losses on the trades affected by an incorrect margin ratio.

I also can see that there was no additional impact on any other trades taken out by Mr M, by the trades affected by an incorrect margin ratio. There wasn't a scenario for example where one of his positions was liquidated prematurely, due to one of the erroneous trades.

So, I am satisfied after considering what is on the transaction history sheet and what I have found above, that the losses stemming from the mistakes made by IG, relate to the specific trades it identified and the compensation that it has already paid. I do accept that Mr M's trading activity may have been different had the error not occurred. But when I consider what I have just concluded and my findings above, it would just not be possible for me to conclude with any certainty *how* it would've been different. So, it follows, that I don't think it would be fair to ask IG to compensate Mr M for losses he made on his trades, apart from the ones it has taken responsibility for already.

I appreciate that my decision will be disappointing for Mr M, and I acknowledge the strength of his feelings about what happened. But based on everything I have read and the findings I have given, I think IG has paid fair compensation already, so I don't uphold Mr M's complaint.

My final decision

My final decision is that I do not uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 7 May 2024.

Mark Richardson
Ombudsman