

The complaint

Mr Y complained about eToro (UK) Ltd (eToro). He said eToro significantly increased its overnight fees unexpectedly and didn't communicate this to him. He said the fees were significantly higher than what he had previously been charged.

Mr Y would like eToro to refund the overnight fees he feels were unjustly charged to him.

What happened

Mr Y opened a contracts for difference (CFD) trading account with eToro. He held an open position in USD/TRY from 31 May 2023 to 1 June 2023, this being a CFD in currency between the US dollar and Turkish Lira.

Mr Y said on 1 June 2023, he saw he was charged an overnight fee, and this was around \$2577, whereas previously on a similar position, eToro charged him around \$22 as an overnight fee. Mr Y said he contacted eToro about this and asked it to explain the sudden increase and why it had changed so much.

Mr Y said eToro should refund the unexpected and high overnight fee that he was charged on 1 June 2023. He complained to eToro about this.

eToro said in response that its overnight fees are not fixed and are subject to change. It said currency CFDs overnight fees reflect several factors including the interest rate differential along with market forces such as supply, demand, and liquidity. It said ultimately, the fees reflected the impact of Mr Y holding his open position from one day to the next.

eToro said it publishes its fees on its website. It said the deal ticket also displays an indication of overnight fees based on the prevailing rate. It said it in Mr Y's case, it had to adjust its overnight fees to reflect market conditions arising from the geopolitical situation in Turkey. It concluded that it was only reacting to market conditions and acted reasonably in doing so. It didn't uphold Mr Y's complaint.

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

An investigator looked into Mr Y's complaint. He said the overnight fees charged on Mr Y's account were a lot higher than what he expected, but this was due to significant volatility in the pricing for USD/TRY. He said this was related to geopolitical events in Turkey and would have affected the overnight fees. He said he could see eToro had charged its fees as it explained in the terms for Mr Y's trading account. He concluded that exceptional external events led to significant volatility which led to high fees. He said he couldn't see that eToro were unfair and it didn't act incorrectly.

Mr Y is not in agreement with the investigator's view. Mr Y'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.

The crux of Mr Y's complaint with eToro is that it charged excessive overnight fees on his open position in USD/TRY, so I looked into this.

According to a statement of Mr Y's trading account, supplied by eToro, he took out a buy positions in USD/TRY between 31 May 2023 and 1 June 2023. This position was opened by Mr Y with leverage. So, because of this, he incurred overnight fees.

The spot rate offered by eToro in USD/TRY was volatile during the time Mr Y held his open position. During this short period, Mr Y incurred overnight fees of around \$2577 in total. As I have already mentioned, this has been the cause of Mr Y's dis-satisfaction with eToro. He said it increased significantly, from what he had seen the overnight fee was previously.

eToro told our service the significant increase in the amount it charged, was due to wider geopolitical events that took place in Turkey at around that time and the impact those events had on its currency. Because of this the spot rate available in USD/TRY became volatile. eToro explained that the overnight fee for any of its clients holding a position in this currency CFD was going to be high, due to liquidity, an interest rate differential, and other market factors but that this was variable and subject to change.

The sort of leveraged trading Mr Y was doing with eToro attracted variable charges for holding positions open overnight. This is because Mr Y opened his position with eToro with leverage, so eToro charged him for the amount that he borrowed, and costs associated with that. The amount it charged on his open position was variable, and the rate it charged depended upon factors such as market liquidity along with other market forces such as supply and demand. It is not uncommon for firms providing services for CFDs to charge overnight fees in this way. So, with what I have said in mind, I can understand why, in a volatile market, the overnight fee may increase suddenly, if the associated factors change suddenly also. This seems to me to be all part of the nature of high risk investing of this kind, something Mr Y signed up for, when he applied for a trading account and then took up open positions on CFDs with eToro.

That said, what was important was for eToro to be clear about the charges that applied – including how it would work them out and when it would apply them. Mr Y would have needed to accept eToro's terms and conditions when he opened his trading account with it, including how it charged its fees. I have looked through these terms and can see under term 10.2 for CFD fees, it said:

"How the overnight fee/credit is calculated will be different depending on your underlying product, the amount of leverage being utilised, and whether you are entering into a buy or sell trade. Our overnight fees/credits are subject to change and can be viewed on our website, and the overnight fee relevant to your order will also be displayed to you when you open a position and on our fees page".

I can see that eToro described how its overnight fees work in its terms, something Mr Y signed up to when he opened an account with eToro. The variable nature of the overnight fee was also mentioned by eToro in its terms, as was the fact the fees would be displayed on its website.

With this in mind, I have gone on to look at eToro's fees page on its website. eToro states on this page:

“Overnight fees change from time to time based on global market conditions, when this happens, we will adjust the fees accordingly. Please be aware that fee charges will always apply to open positions. We encourage you to stay up to date with the correct overnight fees by checking this page. Please note that fees may change without advance notice.”

I can see that eToro has listed the overnight fees that it currently charges for currency CFDs including USD/TRY. When I look at this, I think Mr Y would have been able to check on eToro’s website and see what the overnight fees were at any given time. He would’ve been pointed to the fees page on eToro’s website, through its trading platform, when he opened his position, so I think he would’ve been able to find where this information was held or know it was there, so he could decide about his open position.

Ultimately it was up to Mr Y to decide whether to keep his positions open overnight or not, seen as he had signed up to eToro providing a service to him on an execution only basis. And as I have already concluded, I think he could’ve obtained an up-to-date position about the overnight fee on its website, at that time. It was then up to Mr Y to decide, having signed up to an execution only service, whether to keep his position open or not.

In conclusion, Mr Y is unhappy about how much he was charged with the overnight fee on an open position in USD/TRY from 31 May 2023 to 1 June 2023. But I haven’t seen anything from the documentation provided by either party that eToro made a mistake in how it has calculated this fee. I can also see that it communicated to Mr Y that this overnight fee was variable and has on this occasion explained to him why the fee increased in the way it did.

Finally, I can see that eToro has a page on its website, that it updates with its current fees, and Mr Y would have been able to obtain the information he needed from here. I think by doing all of this, eToro hasn’t, in the circumstances of Mr Y’s complaint, treated him unfairly. So, I won’t be asking it to do anything further.

I appreciate that my decision will be disappointing for Mr Y. I acknowledge Mr Y’s frustrations about the fees he was charged. But based on everything I have read and the findings I have given, I don’t think I can conclude eToro has done anything wrong on this occasion. So, it follows that I don’t uphold Mr Y’s complaint.

My final decision

My final decision is that I do not uphold Mr Y’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr Y to accept or reject my decision before 25 July 2024.

Mark Richardson
Ombudsman