

The complaint

Mr W complains that Trading 212 UK Limited didn't carry out his instructions to pay money into nominated credit cards. As a result, he has suffered losses. His accounts with Trading 212 UK Limited were closed. He would like compensation for his losses and inconvenience.

What happened

Mr W had three accounts with Trading 212. An ISA, a GIA (general investment account) and a CFD account.

Mr W had seven credit cards which he used to pay funds into his trading accounts and to pay funds out of his trading accounts.

Mr W wanted to withdraw £29,000 and instructed Trading 212 to pay specific amounts into specific nominated credit cards.

Trading 212 paid the wrong amounts into the credit cards linked to the accounts. This resulted in losses and fees being incurred by Mr W.

Mr W decided to remove his credit cards from the account and keep only one card linked to the account in order to avoid the same mistake happening again. He requested that Trading 212 carry this out. Trading 212 asked Mr W for ID information and copies of credit card statements that showed Mr W had used the credit cards on Trading 212 platform. Mr W didn't think Trading 212 were entitled to ask him for this information just to remove the cards from the account.

Mr W provided some of the statements but didn't provide the ID.

Trading 212 asked Mr W to provide more credit card statements going back 18 months and a selfie with his ID document. Mr W said he wouldn't be able to access all that information and didn't see why the selfie was needed.

Trading 212 blocked Mr W's account and wouldn't allow him to trade. Mr W has said that as a result of the block he has lost money.

On 11 October 2021 Trading 212 informed Mr W that they were closing his accounts giving him 30 days' notice. Mr W was upset as this meant he would incur greater capital gains tax liability and losses because he would have to sell his shares to close the account regardless of whether this was an advantageous time or not.

There was a delay in the transfer of his funds to his account with a bank I will refer to as bank B and the ISA transfer.

Mr W complained to our service. One of the investigators looked into the complaint she thought Trading 212 hadn't done anything wrong and they were complying with their legal and regulatory obligations.

Mr W was unhappy with the investigator's view he didn't think she had understood the

complaint and asked for an ombudsman's decision.

As there was no agreement the matter has come to me to decide.

In my provisional decision I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr W has made many comments and submissions- In order to decide this case, I am required to do so with a minimum of formality. While I may not comment on everything raised, I've thoroughly read and considered all the evidence and arguments from both sides. My outcome focuses on the relevant key issues, and on what I consider fair and reasonable in all the circumstances of the case.

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. 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'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 do stress however that I've considered everything that Mr W and Trading 212 have said before reaching my decision.

Mr W has requested that an ombudsman call him before issuing a decision. I appreciate Mr W wanted a call, but I can see he made lots of submissions, and am satisfied I can reach a fair outcome with the information I have on the file.

Withdrawal request – wrong cards

Mr W made a withdrawal request and specified five cards he wanted specific amounts paid into. Trading 212 made different payments to different cards which hadn't been requested by Mr W.

Mr W requested the following payments be made:

£12,000 to card ending 8958

£7,000 to card ending 2180

£3,910 to card ending 9487

£2,360 to card ending 0333

£2,400 to card ending 1158

But instead, the payments were processed to:

£12,000 went to card ending 2180- £5,000 extra went to this card

£7,000 went to card ending 8958 – Payment was short by £5,000

£3,910 went to card 9487- correct payment

£2,360 went to card 9487- - £2,360 extra went to this card.

£2,400 went to card 0333- £40 extra went to this card

No payment was made to card ending 1158

Mr W said that he made the payment requests using Trading 212 system. He has also said that a particular card can't be seen as an option for a payment if it hasn't previously been used to pay into the Trading 212 account.

It is clear from the information provided that Trading 212 didn't follow Mr W's instructions when they refunded payments to his credit cards

Trading 212 have relied on terms which say:

"You acknowledge that by default, the withdrawal of any portion of the Free Funds will be executed via the same method and to the same source as the one we originally received the funds from. There are certain situations where an exception might be made for a withdrawal to be executed to a payment method different from the one used for a deposit, but those are subject to approval by Us. You will be required to provide Us with all evidence requested by Us that the new payment method is in your name."

Mr W disagrees that the term quoted provides Trading 212 with the justification to do what they did. Mr W said he had been told by Trading 212 that it was complying with its regulatory obligations by randomising the payments.

I have considered if Trading 212 acted fairly when it processed the payments differently to Mr W's instructions.

Trading 212 have said that they couldn't follow Mr W's instructions because the amounts were over those available for the cards selected. I would have expected if that was the case the card wouldn't appear as a potential payment option in the drop down. Mr W has certainly said that was his understanding. But in any case, even if Trading 212's systems couldn't identify which cards were available for payments, Trading 212 should not have taken it upon themselves to decide which card to make the refund to without consulting Mr W.

So, having looked at the information provided I'm not satisfied that Trading 212 acted fairly here. Even if I accept that they were not able to refund to the cards that Mr W requested the refund to, I would have expected Trading 212 to contact Mr W and tell him they could not follow his instructions and request further amended instructions from him. I therefore think Trading 212 should pay Mr W £300 for the inconvenience caused by them not following his instructions. He had to contact companies and move money around.

Mr W has said as a result he has incurred charges. I asked Mr W to provide evidence of the charges he incurred. Mr W has sent this service copies of his credit card statements for that time. From looking at the statements I can see that he was refunded interest for the cards where there was overpayments.

I have looked at all the statements provided by Mr W. Mr W told us that he incurred losses and fees as a result of Trading 212 not following his instructions. I can see Mr W ensured that his payments were made on time in order not to incur extra charges and fees. This is what I would have expected him to do. I appreciate Mr W worked hard to mitigate his losses. So, from what I can see from the evidence Mr W has provided this service, he did not suffer a financial loss as a result of Trading 212 changing his payments. So, although I accept that Trading 212 acted unfairly by changing Mr W's payment instructions, I'm satisfied Mr W didn't incur any losses in the form of interest charges on his credit cards because the payments went to the wrong cards.

Removal of credit cards

Due to the card payments not being correctly carried out Mr W decided to remove all his cards from the Trading account and leave just one card linked to the account. I can see that Mr W would want to remove his existing cards in order to avoid this happening again and he requested this. Trading 212 asked for ID and for statements for the cards.

Mr W provided some statements but no ID.

Mr W has said that Trading 212 shouldn't have asked him for so much information in order to remove the cards from his account. I know Mr W was frustrated but following the request for transfer Trading 212 reviewed Mr W's accounts. I think Trading 212 were entitled to ask for the information they needed in order to complete the review of his account and I don't think they acted unfairly in requesting the information.

Restriction of the account

Following the requests for transfer, Trading 212 conducted a review of Mr W's accounts and restricted the use of his accounts. Trading 212 blocked Mr W's use of his account and requested he provide copies of account statements and ID.

I'll start by setting out some context for the review of Mr W's accounts. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations. I am satisfied Trading 212 were complying with these obligations when they reviewed Mr W's accounts.

Trading 212 has to have in place security measures and procedures in order to try to safeguard its customers' accounts and ensure it complies with its legal and regulatory obligations. And it's not for this service to interfere with these processes. This is a matter for Trading 212.

I can see that in blocking the account Trading 212 were following an internal process which they carried out in order to comply with their legal and regulatory obligations. This was a legitimate exercise so I can't say Trading 212 was unfair although I do accept that this had a substantial impact on Mr W.

I have seen the communications between Mr W and Trading 212. I know Mr W thought the timeframe for providing the information was not realistic. But I also see that Mr W mentioned he wasn't going to provide ID documents as requested so I can't hold Trading 212 liable for that.

Closure of the account – 30 days' notice

On 11 October 2021 Trading 212 decided to close the accounts giving 30 days' notice. During that period, Trading 212 amended his account to prevent him from purchasing any new assets or positions. He was restricted, solely, to selling his existing holdings and withdrawing his funds. This is in line with the terms and conditions of the accounts which Mr W agreed to. So, I am satisfied these restrictions were fair. I acknowledge that Mr W says as a result of not being able to hold his assets or positions until a favourable time he has suffered losses.

As the investigator explained it's generally for financial institutions to decide whether or not they want to provide, or to continue to provide, facilities to any particular customer. Unless

there's a good reason to do so, this service won't usually say that a financial institution must keep a customer or require it to compensate a customer who has had their account closed.

Mr W was given notice in line with the account terms. I know Mr W may have wanted to know the reason for the closure, Trading 212 aren't obliged to give him a specific reason so I can't say they've acted unfairly in not providing him with a reason.

Despite Mr W's accounts being set to close on 8 November 2021 I can see that Trading 212 gave him an extra five days to manage his ISA transfer and to help minimise his trading losses. I'm satisfied they acted fairly here.

Delay in withdrawal of funds

Mr W has said there was a delay in the withdrawal of his funds, and he had to wait for his funds to be transferred to his nominated account. I have considered if Trading 212 caused the delay to the payment, and I'm satisfied that they didn't. I won't be asking them to pay compensation.

FCA

Mr W has said he consulted the FCA in order to check if Trading 212 were entitled to ask him for photographic ID in order to remove the cards from his accounts. I appreciate that as far as Mr W was concerned, he was merely asking for his cards to be removed however Trading 212 were carrying out a review of his accounts and were asking for information that they were entitled to, in order to comply with their legal and regulatory obligations. So, although Mr W is concerned that Trading 212 were not entitled to ask him for the information requested to merely remove his cards from the account, I'm satisfied Trading 212 were entitled to ask him for the information that they did so that they could carry out their review and comply with their legal and regulatory obligations.

Mr W then contacted the ICO to check whether the request for a selfie with ID was reasonable and he says he was told not to provide one. I can't comment on the conversation Mr W had with the ICO. However, I am satisfied that Trading 212 were not acting unfairly when they asked Mr W to provide his ID.

Trading losses

Mr W has said that as a result of the block and subsequent closure of the account he hasn't been able to trade freely and as a result he has suffered losses including an increase in his capital gains tax liability.

Mr W has requested that this service request information from Trading 212 regarding the fees and losses he incurred on his CFD account. He estimates his losses to be around £5,000 because he was unable to sell his positions at a time of his choosing.

I appreciate this whole situation has been very frustrating for Mr W. As I have set out, I am satisfied that Trading 212 were entitled to review, block and close his accounts so I can't hold them liable for the losses Mr W has incurred as they acted appropriately in what they did.

Points lost

Mr W has said he lost about £100 of convertible points from the loyalty scheme on one of his cards because of the way Trading 212 returned the money. Mr W hasn't been able to evidence this loss so I'm not able to consider if he's entitled to this amount.

In my provisional decision I thought Trading 212 UK Limited should pay Mr W £300 for the failure to follow his instructions.

Responses to my provisional decision

Trading 212 said they had no further comments to my provisional decision.

Mr W provided a number of detailed comments to my provisional decision. Which I will outline below. In addition, Mr W requested on a number of occasions that an ombudsman call him before issuing a final decision. I appreciate Mr W wanted a call, but I can see he has made a lot of submissions over the course of this case as well as further submissions in response to my provisional decision. Having considered all these submissions in detail I am satisfied I can reach a fair outcome with the information I have on file.

Mr W keeps saying that only through a phone call will I be able to understand the complaint, the implication is I haven't understood the complaint so far. I would like to reassure Mr W that I have understood his complaint and that it isn't necessary for me to call him in order to decide this case fairly.

I appreciate that Mr W is unhappy that I haven't considered it appropriate to award him all his losses, but I have tried to explain why in my provisional decision. I am concerned that Mr W will always think that I haven't understood the issues in his case if he doesn't get all the compensation he believes he is entitled to. However, I am considering the evidence from both parties when I decide this case and I'm satisfied the file is sufficient for me to make a fair decision. Mr W has had ample time to submit further information and he has always been told that it's unlikely an ombudsman would call him and to submit anything else he wishes to put forward for consideration.

Mr W has made the following submissions which I have summarised below. I appreciate Mr W has gone into a lot of detail in his submissions and I am summarising them below, however no discourtesy is intended by this approach. I am simply focusing on the key issues, and I am reflecting the informal nature of the service we provide as an alternative to court. I'm satisfied I don't need to comment on every individual argument put forward by Mr W in response to my provisional decision to be able to reach what I think is the right outcome. I do stress however that I've considered everything that Mr W and Trading 212 have said before reaching my final decision.

Mr W has said that he considers the following points are incorrect in my provisional decision.

1. Mr W says he did provide his ID- but he accepts he refused to give a selfie of himself holding his driving licence to his face. He says this is a key reason why I denied part of his complaint. He says Trading 212 had his licence, selfie and proof of address and he went through credit checks as they checked his identity.
2. Trade restrictions and CFD account. Mr W says he wasn't able to sell his CFD positions. He was told he would have to sell all the positions for it to work but he couldn't sell his positions in any of his accounts. Mr W says this all needs to be looked at again because the CFD account wasn't mentioned in the outcome and it's a huge amount of money lost because they wouldn't allow him to sell.
3. Refunds of interest and fees – Mr W says he lost £400 across all accounts in fees from the unauthorised payments. He says he spent weeks trying to get money moved around accounts because of Trading 212 not following his instructions. Mr W says he doesn't think it fair that they get away with causing all that stress and issues they caused. He was also stripped of rewards points.

4. Delay in withdrawal – which Mr W says can't be because of lack of ID because Trading 212 had the ID for weeks. They sold Mr W's positions and held £250,000 for weeks without a reason. Mr W says they never did get the selfie with the ID next to his face that Trading 212 insisted on. Mr W says they already had everything they needed, and Mr W believes this was Trading 212 using stalling tactics.
5. Reasons for closure- Mr W says he has done nothing wrong. He believes when Trading 212 closed his account they acted illegally and then to cover it up they terminated his accounts causing a big loss to Mr W..
6. Mr W insists that not being able to sell his positions and on the CFD account and the consequent loss of £5,000 was another error of Trading 212. – He says their restrictions stopped him selling his positions despite the terms and conditions stating he would be able to.

I thank Mr W for all his submissions. Now both parties have had a chance to comment on my provisional decision, I can go ahead and issue my final decision.

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.

In relation to my provisional decision Mr W has highlighted a number of concerns which I'll now address below.

Firstly, I will deal with the issue of the ID documents. I'm happy to accept that Mr W had provided Trading 212 with his Identification document and a selfie. However, Mr W is aware that Trading 212 requested that he provide a photo of himself holding his driving licence up to his face. Mr W refused to do this. So, I am satisfied that Mr W didn't comply with Trading 212's request even though he may think this request unnecessary and ridiculous.

It isn't for me to say that Trading 212 were unreasonable in requesting this specific ID from him and I can't say that they should have made do with the other forms of ID that Mr W had already provided. So, I am satisfied that Mr W's failure to provide the ID as requested by Trading 212 led to delays in the review of his accounts and prolonged the block on his accounts. I've said Trading 212 were entitled to review his accounts and ask for the information they asked for in order to comply with their legal and regulatory obligations. I also think it's not for Mr W to say that Trading 212 shouldn't have delayed his withdrawals because they had the ID they needed for weeks. Mr W refused to provide the ID in the form that Trading 212 needed it, so I can't say that any delays are the responsibility of Trading 212.

In my provisional decision I explained that I thought Trading 212 were entitled to close the account giving 30 days' notice and I didn't think they acted unfairly in closing Mr W's account. And they did so in line with the terms and conditions of the accounts. Therefore, I disagree that Trading 212 closed his accounts illegally. I appreciate Mr W says he suffered big losses as a result of the closure of his accounts. I know Mr W wasn't able to sell his positions when he wanted to.

Having said that Trading 212 gave him five days to help minimise his trading losses. I know Mr W will disagree with me, but I don't think Trading 212 acted unfairly when they closed his accounts, and I don't think Mr W should be compensated by Trading 212 for the losses he inevitably suffered as a result of his accounts closing at a time not of his choosing. This includes the £5,000 losses he incurred on his CFD account and any other losses.

Mr W says he has lost £400 from all the accounts as a result of Trading 212 not following his instructions. He says they have got away with causing extra work and stress. Firstly, I asked for evidence of the extra interest and the points lost and Mr W wasn't able to provide any evidence of loss so I'm not able to compensate him for this. I have taken into account that Mr W had extra stress and extra work caused because of Trading 212 unilaterally changing his instructions. I have awarded Mr W £300 compensation for this inconvenience. So, I disagree that Trading 212 got away with causing him extra work and stress. I haven't seen anything to convince me to change this amount.

Mr W has said he should have been able to sell his positions during the 30 days' notice to close period. He has pointed to emails exchanges that show that he was having difficulty doing so. He says the restrictions imposed on him meant he wasn't able to sell his positions. I am aware of that email exchange. During that email exchange Mr W wanted to use faster payments which was not open to him, I can also see that Trading 212 confirmed that there were no technical issues on the platform. I appreciate that Mr W was trying to come up with ways to minimise his losses by selling and moving to another broker and buying quickly, but this would have needed the use of faster payments which wasn't available to him. I can't say trading 212 should have made faster payments available to him.

I know Mr W was trying to think of ways to move his investments without suffering losses but as I've said I have looked to see whether Trading 212 acted unfairly when they decided to close Mr W's accounts. Having looked at everything I think they were entitled to close his accounts and any losses that Mr W has incurred as a result of the closure of the account are not recoverable from Trading 212. I'm satisfied that Trading 212 gave Mr W extra time after the 8 November 2021 account closing deadline, to close his accounts in order to minimise his losses, so I think they acted fairly here.

In summary I appreciate that Mr W may have suffered substantial losses as a result of the block and closure of his accounts with Trading 212. The point here is whether Trading 212 should be held liable for these losses because they shouldn't have closed his accounts or because they treated Mr W unfairly. I know Mr W will be disappointed with my decision but having looked at all the information I don't think Trading 212 acted unfairly and they were entitled to close his accounts. So, although I acknowledge that Mr W may have suffered a loss because he ended up selling his positions at a time that wasn't advantageous to him, that loss isn't recoverable from Trading 212. It follows I won't be awarding him compensation for his trading losses.

In summary I thank Mr W for his submissions which I have considered in full. I appreciate Mr W will be disappointed by my final decision but having reviewed all the information received by both parties and their responses to my provisional decision I see no reason to depart from my original provisional findings. I remain of the view that this complaint should be partially upheld for the reasons set out in my provisional decision, which are repeated above and form part of this decision.

Putting things right

To put things right Trading 212 should pay Mr W £300 to compensate him for the inconvenience of not following his instructions.

My final decision

For the reasons stated above and in my provisional decision I partially uphold this complaint. I require Trading 212 UK Limited to pay Mr W £300 compensation for the inconvenience caused to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 1 December 2023.

Esperanza Fuentes
Ombudsman