

The complaint

Mr L has complained about the decision of IG Index Limited ('IG') to prevent him taking out new trading positions on contracts for differences (CFDs) and moving to close his account.

What happened

Mr L had been trading with IG for a number of years. In November 2022 he was rung by an account manager who wanted to discuss the services IG could offer him. During the call Mr L made comments that the account manager found concerning in terms of the impact trading on his account was having on Mr L's wellbeing. Taking into account these concerns about his mental health, IG stated it would be closing Mr L's account because it was no longer appropriate to offer him access to leveraged trading. It said Mr L would be able to close his open positions, but not open any new trades.

Mr L said to IG that it had misinterpreted his comments in the call by taking them literally, and that he had exaggerated. He said that he had been frustrated about losing significant sums of money over the 13 years he'd been trading, but this did not mean that he wanted to harm himself. He commented that he'd never spoken to the account manager before, and he suggested that the account manager did not know his personality. Mr L said his comments in the call were the result of a number of factors, and were affected by the timing of when the call had happened. He also highlighted that English is not his first language. He considered that IG had speculated about his mental health.

Mr L said that IG did not have a right to decide on whether he was in an appropriate mental state to trade. He also asked IG to remove the restriction preventing him opening new trades, saying that this prevented him following his usual strategy of hedging or offsetting against the existing open trades he had.

IG responded that its account manager had deemed Mr L to be a vulnerable customer during their call in November 2022 based on the comments Mr L had made. As a result IG had cancelled Mr L's ability to open any new positions on his account, and had set the account to 'closings only'. IG considered it had acted appropriately, taking into account Mr L's welfare and its obligations to mitigate any harm to him.

Unhappy with IG's response, Mr L brought his complaint to this service. He commented that because IG had not allowed him to place new trades under his account, he could not follow his general strategy of offsetting or hedging his existing positions. Mr L said that his trading history with IG showed that this was a strategy he had employed extensively in the past. In the circumstances he said that he'd been forced to close positions, realising losses that he considered were greater than would have been the case if he'd been able to trade in his usual way.

Mr L also commented that not allowing him to open new hedging positions prevented him reducing his net exposure in a particular market. He said that this meant, rather than reducing his risk, by preventing him opening new hedging positions IG was increasing his risk. Noting that IG had mentioned he was still able to put stop losses in place on his open positions, Mr L highlighted that this was not equivalent to his hedging strategy.

With regard to the content of his call with the account manager, Mr L said he had clearly told the account manager that the words he had used were an exaggeration, and that they should not be taken literally. Mr L also highlighted that the account manager had rung him, and he had never requested the call. He said that when he had commented that he wanted to reduce his positions because he had "*had enough*", this was because he was "*fed up with these unwanted calls*." Mr L also questioned why IG had not closed all his open positions at the time it decided to move his account to closure, rather than leaving him exposed to market changes.

Our investigator did not uphold this complaint. Although she acknowledged that Mr L said he had not meant everything that he'd stated in the phone call with the account manager in November 2022, her view was that IG had acted reasonably when it had moved to close the account, based on the content of the call. This was because of IG's concerns about Mr L's mental health and his addiction to placing trades.

In terms of the restrictions on Mr L opening new trades, the investigator noted that IG had said the account would be closed permanently once all open positions were closed. She also noted that IG had said that where Mr L had a long and short position on the same CFD, he could close them at the same price if he rang its dealing department. The investigator commented that if IG had allowed Mr L to open new positions, even if they offset existing positions, this could have led to losses on the newly opened trades. Her conclusion was that IG had acted reasonably.

Mr L disagreed with the investigator's findings. Noting that the investigator had referred to the Financial Conduct Authority's ('FCA') Principle 6 that firms must pay due regard to the interests of its customers and treat them fairly, Mr L commented that this was a very generic statement. He also questioned whether IG had been taking into account Principle 6 in its dealings with him over the previous 13 years of him trading, during which he said he had lost a substantial sum of money.

Mr L agreed that IG had offered for him to call if he wanted to close existing short and long positions at the same time, but he said this was different to what he had complained about. He reiterated his dissatisfaction was that the restrictions on his account meant he could not reduce his net exposure on a market by opening offsetting trades, reducing his risk without immediately realising losses. Mr L questioned whether that was an appropriate restriction if IG considered him to be vulnerable. And in terms of opening new, opposite positions to existing trades, Mr L said these could only be considered potentially loss making if they were looked at in isolation from his other positions.

Mr L reiterated that his call with the IG account manager in November 2022 was the first contact he'd ever had with him, and in the circumstances he questioned how the account manager could assess the state of his mental health and fitness to continue trading. Mr L said he accepted that some of the expressions he used in the call were alarming, but he said when listening to the call it was clear this was the result of frustration. He had also said in the call that he was exaggerating. Mr L commented that overall IG had acted disproportionately and had placed him in a worse position, both financially and psychologically.

The investigator responded that in the previous 13 years, Mr L had not told IG that his health was being affected by trading, and that was why he had been able to continue to trade. When he had spoken to the account manager in November 2022, Mr L's comments had caused him to conclude that Mr L should no longer be permitted to use IG's trading service, due to concerns about his wellbeing. The investigator's view was that IG would have reached this conclusion regardless of who Mr L had spoken to, and whether that staff member knew Mr L or not.

With regard to IG not permitting new trades to be opened, the investigator stated that Mr L's objective to have two trades open at the same time on the same asset in order to counterbalance each other could have resulted in the account never closing, as once one of the trades had been closed, Mr L would have wanted to open another new, offsetting trade.

In reply Mr L said that if he had been able to hedge his existing positions, it was speculation whether he would have lost money because he would not have been able to get out of the losing trade. He said that IG had denied him the possibility of covering his risk, and that his trading activity from previous months showed that he had successfully learnt how to reduce his losses using his hedging strategy, even in times of market volatility.

Mr L also reiterated that IG should not have taken the words he'd said in the November 2022 call literally. And he said that he had not used the words that he was feeling suicidal, but had instead commented that some people who had lost the amount of money he had would 'suicide themselves'. Mr L questioned how a conclusion could be reached which was wholly in support of IG's stance, rather than one which recognised both his and IG's role in what had occurred. In light of this, Mr L suggested that IG offer him a settlement that represented part of the loss he had incurred since his account was restricted and moved to closure.

Mr L also raised a new issue, which was that he said IG had known as early as March 2016 that his health was being affected by his trading. As this had not been considered previously, it was referred back to IG for its response, and it has been investigated separately by this service under a different complaint reference.

As a result of Mr L requesting that this complaint be referred to an ombudsman, it has been passed to me.

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.

At outset I should make it clear that this decision relates to the events that occurred with Mr L's account from November 2022, when IG confirmed it would no longer be allowing new trades to be set up, and that it would be moving to close the account. The issues raised by Mr L about events prior to this date, and starting in 2016, have been considered under a separate complaint.

The investigator noted that as industry regulator, the FCA requires firms to pay due regard to the interests of its customers and treat them fairly. In addition it expects firms to exercise particular care with vulnerable customers. In February 2021 it published guidance for firms about the fair treatment of vulnerable customers. Within that guidance it explains that firms should be able to spot signs of vulnerability in its customers. I have taken the guidance into account when considering the events that occurred in this complaint.

As Mr L has said, he did not initiate the call with the account manager in November 2022. Instead, the account manager rang Mr L to detail IG services that were available. Soon after the call started, Mr L asked the account manager to pause. Mr L said that he should be closing the account because he was "*just making losses.*" He said that his trading "*was just becoming an addictive thing.*"

Mr L described the markets as being "*nonsense*" and "*schizophrenic*", and indicated that he should give up trading. He said that he was losing money, and never achieved the profit he aimed for. Mr L detailed some of the main events that had affected economies around the

world, and said that trading was impossible. He estimated that he had lost salaries of two lifetimes, and then said “*I should just kill myself*”, adding “*I should just suicide myself*.” Mr L said he had lost all he had made in 20 years’ work. He also suggested that holding long and short positions at the same time didn’t make sense, but that psychologically it was difficult for him to materialise a loss. Mr L described CFD trading as “*a losing game*.” He said that he should “*stop doing this for my wellbeing...it’s destroying my life*.”

Mr L has commented that his use of words reflected the fact that English is not his first language. He has also pointed out that because the account manager had never spoken to him before, he did not know his personality. As a result, Mr L has said that his words were misinterpreted, and taken too literally. I have thought carefully about what Mr L has said. I do note that during the call, there are occasional moments where there is a hint of laughter from Mr L as he speaks. But on balance, I consider it was reasonable for IG to accept the words that Mr L had spoken on face value. It seems to me that it would not have been appropriate for IG to have interpreted Mr L’s words in another way, taking into account the requirement upon it to identify vulnerable customers and ensure they are treated fairly.

After Mr L had spoken, the account manager said that he would need to flag the account with IG’s compliance team. He said that when a customer raised issues relating to their wellbeing, IG had to take that very seriously. Mr L responded that he’d exaggerated, but repeated his comment that this was “*a losing game*”. He explained that he’d been maintaining long and short positions to limit his net exposure, in the hope that the market started to progress in one direction, but instead had found it continuing to be volatile.

The account manager told Mr L that he did not consider it was appropriate for IG to continue to offer him the services that it had been, taking into account its duty of care to him. He said he would suspend the account from accepting new trades, with a view to closing it. It would be for Mr L to decide when he wanted to close his existing positions.

Mr L has said that because the account manager had not spoken to him before, he could not form a view about whether Mr L was in a suitable mental state to trade. But I would agree with the investigator that, regardless of who from IG had spoken to Mr L, from what he had said in the call it was reasonable for IG to decide that the account should be closed due to concerns about the effect trading was having on Mr L’s wellbeing. In summary, I consider it was reasonable that IG decided to close Mr L’s account following the call between Mr L and the account manager in November 2022.

Aside from its decision to close his account, Mr L has also complained that after this decision IG would not let him open new trades. He has explained that for a number of years, his strategy has been to open trades that offset existing positions he has on particular markets. In so doing, Mr L says that he has managed to limit his losses. Because he was no longer able to open trades that hedged his existing positions, his view is that IG exposed him to potentially greater losses. His only options for his existing positions were either to close them at a loss or hope that the market moved in his direction. Mr L says that restricting him in this way caused increased risk to him both financially and in terms of his wellbeing.

I would agree with Mr L that the use of stop losses would not have allowed him to replicate his hedging strategy. However in terms of its decision not to allow him to open new trades, IG has to provide its customers with a level of care that is appropriate given their individual characteristics. In this case, IG concluded that Mr L was not in a state of mind where he should be allowed to use a trading account. I consider that was a reasonable stance for IG to take, and on that basis, I also consider it was reasonable that IG would not allow Mr L to open new trades.

Further to that, had Mr L been permitted to open new trades, it seems to me that depending on how the markets performed, there was the potential that he would have sought to open multiple new trades. Although this would have been in line with his investment strategy, it would not have been in line with IG's objective to close his account and reduce levels of harm to Mr L caused by his trading activities.

Mr L has also questioned why IG did not simply close all his existing positions if it no longer wanted him to trade on his account. But my view is that it was fair that IG left it to Mr L to decide when his open trades should be closed. If IG had closed the positions immediately after the call with the account manager in November 2022, and afterwards the markets had moved favourably for Mr L, Mr L might well have felt aggrieved that IG had caused him additional losses that he would not have sustained if he'd been able to close out the positions himself, at a time of his choosing.

In conclusion, my view is that IG acted reasonably when it decided to move Mr L's account towards closure following its account manager's call with him in November 2022, on the basis that CFD trading was causing Mr L harm. I also consider that, as part of the move to close the account, it was appropriate that IG did not allow Mr L to open any new trades, and instead left it for him to close his existing positions. I appreciate that Mr L is likely to be disappointed with my findings, but on balance my view is that IG has not been at fault in this matter.

My final decision

My final decision is that I do not uphold this complaint, and I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 2 July 2024.

John Swain
Ombudsman