

The complaint

Mr P's complaint concerns his trading account with IG Index Limited and the service provided by it on 20 April 2020, which he feels led to significant losses related to a long position he held on WTI Oil. More specifically, he's said:

- IG's platform provided misleading information, wrongly displaying positive rather than negative prices.
- IG failed to provide him with adequate protection, as per the Financial Conduct Authority (FCA) requirements.
- IG failed to leave his other positions open, which would've been profitable.

What happened

On Friday 17 April 2020 Mr P, in anticipation of a potential rise in the price of oil, placed a working order with IG to buy the WTI Oil May 2020 futures contract at \$15.10. When the market opened after the weekend on Monday 20 April 2020 the price was above this, at around \$18, but it began to fall, and Mr P's buy price was met at around 02.00 BST and the order filled.

However, the oil futures price continued to fall and at just after 19:00 BST it went negative for the first time in history. It bottomed out at minus \$40.32 before settling at minus \$37.63 when the market for the contract closed at 19:30 BST.

Shortly after, the contract expired and crystallised a loss for Mr P of over £50,000, taking his account balance negative. This led to a margin call and in his other open positions being closed. The account balance was still negative, so the debt was cleared by IG in line with FCA regulations for retail clients.

Mr P complained to IG, saying that its app had displayed the oil price incorrectly, indicating that it was actually positive, leading him to think that he was in profit on the position. He said that the pricing issue, along with the associated failure to provide him with a margin call (because IG's system hadn't recognised there'd been a margin violation when it should've done) had meant he'd lost the opportunity to take corrective action. He felt IG should honour the incorrect price it had displayed and re-open the positions closed when the contract expired.

IG acknowledged that some elements of its system had functioned incorrectly on the day in question. But it felt that there'd nevertheless been sufficient other information about the oil situation available to Mr P such that he ought reasonably to have been aware of what was happening and therefore able to act.

It noted a phone call he'd made to it during the evening of 20 April 2020 during which it felt Mr P had appeared to accept the situation and his losses. IG highlighted its terms in respect of margin requirements and that it taken the necessary steps to close positions in line with the FCA requirements. It also confirmed it had credited Mr P's account with £21,554.61 to bring it to zero, again in line with the regulatory requirement for negative balance protection. IG did however offer Mr P £500 as a gesture of goodwill in recognition of any confusion caused by the pricing issue.

Mr P referred the complaint to this service where it was reviewed by two investigators, neither of which felt it should be upheld, for broadly the same reasons as those given by IG.

Mr P didn't accept this and asked that the complaint be reviewed by an ombudsman.

IG then provided some additional clarity on its previous explanation of the situation, acknowledging that Mr P's oil position shouldn't have been able to run until expiry of the contract. Rather, it said that had its system correctly handled the negative price situation, there would've been a margin call on Mr P's account when the oil price hit around minus \$11.40, which would've led to his other positions being closed (on a 'first in, first out') basis, followed by the oil position also being closed as a result of a further margin call when the oil price continued to fall even further.

IG's view was that, despite this clarification, even if its system had worked as it should've done it was still most likely that Mr P's account would've ended up in the same position, with his account balance at zero, as a result of any negative balance having been cleared in line with the regulatory negative balance protection.

However, IG did increase its offer to Mr P to £3,500. It based this on a calculation of the difference in loss between the price Mr P's position was actually closed at, when the contract expired, and the level of loss at the point a margin call should've occurred and determined a theoretical position of the account having been left with a balance of around £4,500. It felt £3,500 was therefore a reasonable compromise, given the variety of additional uncertainties involved.

The offer was put to Mr P, but he didn't accept it. He maintained his view that IG's system failure had led to him losing the opportunity to protect his positions and avoid the significant loss.

As no agreement could be reached, the matter was referred to me to review.

I issued a provisional decision in which I explained why I thought the increased offer made by IG was broadly fair in the circumstances. I said, in part:

"I appreciate this has been a difficult and stressful matter for Mr P and apologise it's taken so long to get to this point. Given that background, I can understand why he's sceptical about IG's further clarification and increased offer. But in all the circumstances, while I recognise he'll strongly disagree, I think it represents a fair resolution to the matter.

IG has acknowledged that when the oil price went negative on 20 April 2020 its systems didn't operate as they should've done. For a period, its pricing charts were showing the negative price as positive. Further, it appears that this fed into the mechanism for determining account balances, hence why Mr P didn't receive a margin call (although it should be noted that there was no requirement for IG to send any margin alert).

So, given that there's no dispute that things went wrong, I need to consider what may have happened had IG's system operated correctly.

As noted, Mr P had placed his order on the Friday preceding Monday 20 April 2020. He did so with the view that the oil price, having already fallen low against the backdrop of the covid pandemic, was likely to rise.

His order was filled at \$15.10 in the early hours of Monday morning. During the day he says he went for a walk, monitoring the price of oil via IG's app on his phone. The price was falling gradually through the day and was, for instance, at around \$11 mid-afternoon. So, Mr P would've had a gradually increasing floating loss on his account in respect of the position.

The fall continued but the oil price didn't actually go negative until shortly after 19:00 BST. So, it's my understanding that this is the point at which IG's system failed and showed a positive rather than negative price.

If the price had displayed correctly, as the price moved below zero Mr P would've seen his loss continuing to increase. And I accept that he may have then decided to act, for instance maybe closing the oil position. But equally, he may have opted to hold out for a turnaround, on the basis that the unprecedented fall into negative was unlikely to continue. And it's important to remember that while the price had been falling all day the negative price issue happened in a very narrow window, right at the end of trading. As such, I think it's very difficult to say with any certainty what Mr P might have done differently if IG's system had worked better and, further, what overall impact, if anything, that might have had on his account.

I've listened to the call Mr P made to IG once the price had gone negative. And while I accept there was an element of confusion on the part of the staff member, who was clearly having to deal with continuing issues with the information the system was providing to her, ultimately Mr P was correctly informed of what would happen. I note also what he's said about the failure to provide a margin call, but as I said earlier, such alerts are not guaranteed.

Clearly, this was a very unfortunate situation, and I am sympathetic to Mr P's view. But I nevertheless think, on balance, that the most likely outcome in the event everything had worked correctly would still have been the same.

I note what he's said about the way in which other brokers handled the situation, in some case cancelling trades or adjusting prices. But often those type of actions were taken in response to systems being unable to carry out instructions from customers – for instance where they were actively looking to close a position and a system wouldn't let them.

As far as I've seen this wasn't a case of Mr P attempting to act and being prevented from doing so by a problem with by IG's system. Ultimately, he had opted to bet on the price of oil rising and instead it crashed in an unprecedented manner. While this led to some of IG's information being wrong for a relatively short period, there were many other sources of information available throughout the day that would've made clear what the correct situation was.

As such, I think that the offer now made to Mr P is, in all the circumstances, a fair one."

Mr P didn't accept my provisional decision and made the following points, in brief:

- IG's system failed not for a short time but for several hours.
- What were the other sources of information regarding price that I'd referred to that he should have relied upon?
- He'd been able to see an increasing floating loss, but not once the price had fallen to zero, as the app then indicated a positive price.
- He'd been prevented from acting by IG's provision of incorrect information.
- I'd questioned what would've otherwise happened if the incorrect pricing hadn't occurred – the answer being that he would've acted when the price hit zero and closed the position, protecting his account.
- In initially placing the trade, he'd reasonably assumed that a price point of zero would function as an effective 'stop loss' as the price couldn't go negative.
- He'd relied on the incorrect charts provided by IG.
- In addition to the misleading pricing information, the failure of the system to deal with the negative price meant no margin calls were issued by IG as they should've been and usually were, which would've enabled him to manage the situation.

- IG should recalculate the position he'd have been in had he closed the oil position at zero.

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.

Having done so I remain of the view that the offer now made by IG, of a payment to Mr P of £3,500, is fair and reasonable in all the circumstances.

I've carefully noted Mr P's additional comments and would stress again that I understand his frustration and scepticism in respect of the matter. But having reconsidered the circumstances, on balance I'm not persuaded that if IG's systems had functioned correctly on the day in question the outcome would more likely than not been as Mr P had suggested.

I think the rationale behind IG's offer, while in itself unavoidably speculative given all the uncertainties and variables involved, is reasonable and representative of a more likely alternative than that proposed by Mr P – that he would've closed the position at zero and avoided the loss and closure of his other positions.

I accept that Mr P *could* have closed the position when the oil price hit zero. But it must be remembered that, although the price had been falling all day, it hitting zero occurred only very shortly before the market closed and at a time of great general confusion and uncertainty across the market.

It's possible therefore that even if Mr P had fully appreciated the situation and attempted to close, he wouldn't have been able to. Or by the time he did the price would've been well below zero. And in respect of not receiving margin calls because of the pricing error, it's not uncommon for that mechanism be unreliable under volatile market conditions, which is in part at least why margin calls aren't guaranteed to be provided. As such, there's every likelihood that even if IG's systems had been correctly interpreting the negative price then related margin calls might nevertheless not have been made in time, or at all.

My reference to '*other sources of information available throughout the day*' was in respect of the other information on the IG app other than the charts, which I understand were displaying correctly, and also the general information available elsewhere as the media reported the unprecedented events. But even if Mr P had relied solely on IG's charts and they had been correct once the price hit zero and then went negative, I still think it's impossible to determine with any certainty what Mr P would or could otherwise have done.

I recognise that my decision will be very disappointing to Mr P, but I'm not persuaded to change my view of the matter.

Putting things right

In resolution of his complaint, IG must now make payment to Mr P of £3,500. I think this offer is fair and reasonable in all the circumstances.

My final decision

For the reasons given, my final decision is that the complaint should be upheld, and I direct IG Index Limited to pay £3,500 to Mr P.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or

reject my decision before 11 July 2024.

James Harris
Ombudsman