

The complaint

Mr S complains IG Index Limited ('IG') incorrectly calculated the overnight fees on his USD/TRY spread bet position.

What happened

Mr S has a spread betting account with IG. For holding currency pairing spread bets overnight, IG charge an overnight fee. This fee includes the costs IG incurs by rolling the position to the following day to prevent the physical delivery of the asset.

In the course of trading on this account, Mr S held overnight a long USD/TRY spread bet position on 22 September 2023. Mr S says the platform showed him the swap rate – the basis on which IG calculate its fee – applicable to his position would be 29.87. However, a higher swap rate of 118.32 was applied, significantly more than Mr S was expecting.

On 29 September 2023 Mr S again held a USD/TRY spread bet overnight, which he says the platform showed a swap rate of 342 for. However, Mr S found the actual swap rate applied was as before much higher than he was expecting at 444 swap points.

Mr S says the difference between what the platform said the swap rate would be and what was actually applied was unfair. He says this caused him to pay an additional £1,462 in charges.

Unhappy with how IG applied the overnight charges, he complained to the firm. IG considered his complaint but didn't agree it should be upheld. In summary it said:

- The swap rate its platform displays is indicative, based on the previous day's rate.
- The actual rate applied will differ depending on the underlying market.
- IG applies the actual swap rate only once it knows the cost it incurred to roll the position – which the tom-next rate affects.
- The tom-next rates relating to TRY experienced a high level of volatility at the time.
- It correctly applied the swap rate to Mr S' position.
- Its competitors may price this differently but that doesn't mean it unfairly calculated the charge.

As Mr S remained unhappy with IG's answer, he referred his complaint to our service.

One of our Investigators considered his complaint but didn't agree it should be upheld. In summary she said:

- IG wouldn't be acting unfairly by applying a different charging model to its competitors.
- It was clearly explained to Mr S how IG charged its overnight fees and the impact tom-next rates have on them.
- The tom-next for Mr S' position had been volatile which reflected the rate applied to his overnight fee.

- IG had applied the charge fairly in line with its terms and conditions.

Mr S didn't agree with our Investigator saying the crux of his complaint was that IG didn't apply the level of charge its platform showed, not how IG's charges compared to its competitors. On how IG calculated the overnight fee, he didn't agree tom-next for his position was volatile as his interpretation of the markets was there was little movement in the underlying during the affected periods.

Our Investigator considered Mr S' response, along with further information from IG, but didn't agree his complaint should be upheld for the same reasons.

As an agreement couldn't be reached, the complaint has been passed to me to decide.

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.

When Mr S opened his account with IG, it's likely he agreed to its terms and conditions for his account. While I've not been provided with the signed agreement itself, I think it's likely he did otherwise IG wouldn't have provided the services it did.

These terms set out that IG can apply charges to positions opened with it and refers to its 'IG Costs and Charges' document for further detail. Included within this is information that for spread bet positions held after 10pm, IG will charge an 'overnight funding fee'.

IG provides detailed information in its terms about how it calculates its overnight funding charge. This clearly explains that the fee charge is affected by the 'tom-next' rate, the size of the position, as well as an administration fee which is 0.8% of the mid price. IG explains in these documents that tom-next is:

"...short for tomorrow-next day, the means by which forex speculators avoid taking physical delivery of currency and are able to keep forex positions open overnight.

...forex trades would – if left unchecked – normally result in the trader taking delivery of the asset they have traded. In forex the expected delivery day is two days after any transaction. In order to keep a trade open overnight, forex providers will swap any overnight position for an equivalent contract that starts the next day. The price difference between the two contracts is call the tom-next adjustment.

Tom-next is calculated by adjusting the closing level of the open position with the interest rate of the currencies involved."

IG has evidenced its platform says the following when the user hovers over the 'swap offer' heading when viewing positions:

"Swap rates are not updated in real time so are only an indication of the rate you may receive or pay when posted."

I'm satisfied IG clearly set out that an overnight funding charge would apply to a position like Mr S', and how it calculates this, in a clear, fair and not misleading manner. IG also in my opinion sets out sufficiently clearly that the applicable swap rate isn't known until the swap itself takes place, which is why it provides an illustrative figure based on the last rate it used. In my view the disclaimer extracted above fairly explains the swap rate shown isn't a live value and is only indicative of what it might be.

As IG has clearly set out the swap rate shown is indicative, it follows I can't fairly say that IG would be required to apply the rate displayed on its platform.

Turning then to the rate IG has applied on Mr S' position, I'm satisfied from the evidence provided by both parties that IG has fairly applied its overnight charges. The various charts and pricing information from the time of the events provided persuades me the swap rate IG applied to the overnight funding charge calculation for Mr S's positions fairly reflects the underlying tom-next rates. These were higher than Mr S expected which was likely due to volatility in the market which I understand was contributed by interest rate increases by the Turkish central bank. Given currency interest rates are a factor in tom-next, I'm persuaded that would affect the swap rate applied to Mr S' positions. Overall, I'm satisfied those were based on a fair reflection of what was a volatile currency market at the time given the charts provided which reflect such volatility and higher tom-next rates.

IG has provided a table showing the applied tom-next rates were 136.32 and 444.1, which includes IG's administration fee. I'm satisfied these values reflect IG's admin fee along with what the Bloomberg terminal evidence, which is an independent resource, shows the tom-next rate to be.

Those rates in the markets at the time of the swap led to Mr S being charged as follows for the position held overnight on:

- 22 September 2023 – £681.60 – $136.32 \times \text{Mr S' } £5 \text{ per point position}$
- 29 September 2023 – £4,441.00 – $444.1 \times \text{Mr S' } £10 \text{ per point position}$

Having followed the formula IG sets out in its cost and charges document for both of these, I'm satisfied IG has correctly and fairly calculated those charges.

I understand why Mr S feels IG should apply the rate its platform shows, the indicative rate, but I can't see I can fairly agree for the reasons above. I appreciate these costs were higher than Mr S expected, and he may not have realised the swap rate was indicative. But for the reasons give above, I'm satisfied the values IG has calculated reflect movements in the underlying market as evidenced and has calculated this as it discloses it will.

It follows then as IG set out sufficiently clearly how it charges the overnight funding charge and that the rate is shows on its platform is illustrative, I can't fairly say IG hasn't applied its fees in line with its terms and conditions or failed to fairly disclose the illustrative nature of the swap rate on its platform.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 2 April 2025.

Ken Roberts
Ombudsman