

## The complaint

Mr H had a Contracts for Difference ('CFD') account with eToro (UK) Ltd ('eToro'). Mr H has complained he had been advised by eToro he would receive a refund of overnight fees, but this didn't happen. He has also complained that while he was abroad his account was blocked and after he provided the necessary documents eToro had requested, it took a week for the account to be unblocked. During this time, his profitable trade went into deficit, and he would like this repaid to him along with all fees.

## What happened

In December 2023 Mr H contacted eToro about overnight refunds if he held a position for a long time. He was informed overnight fees wouldn't apply but if the underlying asset issued dividends he wouldn't receive them. However, overnight fees were applied.

In February 2024, while Mr H was overseas on holiday, eToro blocked his account. Once contacted by eToro Mr H said he immediately provided a copy of his passport and bank statement but eToro needed to see a utility bill as proof of address which he couldn't provide until he returned home.

Mr H told us he was informed while his account was blocked, he could leave his positions open and would receive a refund of any overnight fees charged. His account was US\$30,000 in profit at the time but as a result of the overnight fees charged while his account was blocked, he was charged US\$37,000 in fees of which eToro has offered to refund US\$1,200.

Mr H also said he had other open positions which had lost money as he asked eToro not to re-open his account until this service had investigated the complaint. However, eToro re-opened the account and a stop loss was activated which caused a further loss of US\$7,000. He raised his concerns with eToro.

In response eToro didn't uphold Mr H's complaints. It said;

- On 14 February 2024 Mr H's account had been logged into from a country where its services weren't offered, and it initiated a request for an explanation. Account limitations were implemented to protect Mr H's account and on 15 February 2024 Mr H made contact asking about those limitations. He advised he was on holiday and would provide proof of address upon his return to the UK in two weeks' time.
- eToro didn't hear from Mr H and sent chasers on 26 February 2024 and 4 March 2024. Mr H provided the document on 4 March 2024, and he was informed on 7 March 2024 all limitations had been lifted.
- While the limitations were in place Mr H could still close positions and it confirmed there hadn't been any adverse effects on his positions. Positions were closed before and after the limitations were imposed and lifted but while they were in place new deposits and new trades were restricted.
- The open Natural Gas ('Natgas') Buy positions were incurring overnight fees contrary

to what Mr H had previously been advised. They were inherent in trading CFD positions. In later correspondence, eToro offered Mr H US\$1,200 as a gesture of goodwill for the overnight fees debited to his account for two of his Natgas positions.

Unhappy with the outcome, Mr H brought his complaint to the Financial Ombudsman Service. Our investigator who considered the complaint thought eToro needed to do more. He said;

- eToro acknowledged Mr H had been misinformed in December 2023 about the overnight fees but clarified the position in January 2024. It was understandable this had caused Mr H frustration but eToro had offered US\$1,200 as a gesture of goodwill which amounted to the overnight fees Mr H had been charged. He thought this was fair and more than this service would award for the distress caused.
- eToro didn't offer its services in the overseas country where Mr H was on holiday and had logged into his account, so it was reasonable it acted by limiting the account to prevent depositing new funds or opening new positions. However, when sending the necessary documents Mr H had emailed himself rather than eToro. But he thought eToro could have been clearer in its communications about what documents it needed and recommended eToro pay Mr H £150.
- He didn't think eToro was responsible for the losses Mr H says he incurred. The limitations placed on Mr H's account didn't prevent him from managing open positions or withdrawing funds. Mr H had chosen to keep his positions open until the complaint was resolved as he didn't want to touch his account while the limitation was applied. But Mr H could have taken measures to mitigate his losses and he wasn't prevented from closing his positions.
- eToro had resolved the matter about the overnight fee misinformation before the limitation was placed on his account.

Mr H wasn't satisfied and corresponded with the investigator, but the complaint remained unresolved, so he requested that it be decided by an ombudsman so 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.

After doing so, I've reached the same conclusions as the investigator and broadly for the same reasons. I'll explain why.

#### Overnight fees

Mr H contacted eToro on 21 December 2023 to ask about keeping positions open over the longer term. He was advised;

'that you will not get charged overnight fees but ... if the assets has dividends paid you will pay that amount instead of receiving it.'

However, fees were charged, and Mr H contacted eToro again on 15 January 2024 asking for a refund. It responded on 31 January 2024 confirming how and when the overnight fees were applied.

Mr H pursued this further and on 2 May 2024 eToro acknowledged Mr H had been misinformed about the overnight fees. It understood the inconvenience caused to Mr H and

offered to credit US\$1,200 for the wrong information he was given on 21 December 2023 until it was clarified on 31 January 2024. The amount offered equated to the overnight fees Mr H had been charged during that period.

Because of eToro's gesture of goodwill offer I don't think it needs to do anything more here. It apologised to Mr H for the misinformation he was given on 21 December 2023. It has explained overnight fees are inherent in CFD trading, they are standard industry practice, aren't exclusive to eToro and they were openly disclosed on its fees pages. So eToro wasn't doing anything wrong in applying the overnight fees. However, eToro has already offered to put the matter right in its gesture of goodwill payment of US\$1,200 which is the same amount as the overnight fees Mr H was charged between 21 December 2023 and 31 January 2024.

Despite eToro correctly applying the overnight fees, clearly the misinformation and subsequent charging of fees was upsetting for Mr H and caused him frustration. When this service finds that a business has caused a customer trouble and upset, we may make an award. But the gesture of goodwill payment already offered is more than I would award under similar circumstances, so I think it is fair and reasonable.

It follows that I won't be asking eToro to make any additional payment over and above the offer already made.

#### Account limitation

While Mr H was overseas, he logged into his account but on 14 February 2024 a limitation was placed on his account because the country where Mr H was on holiday and logged into his account from was on eToro's 'banned country list'. eToro has provided a link to its website and included in the list of countries is Mr H's holiday destination. The link explains that;

'Due to regulatory requirements and business decisions based on risk management consideration, we can no longer offer the eToro investment platform...'

So, in and of itself, I don't find that eToro acted unfairly or unreasonably in placing the limitation on the account until it had an explanation and proof of Mr H's identity and residency. However, I've gone on to consider how eToro communicated with Mr H about this and whether it was fair during the process.

eToro has explained the limitations placed on Mr H's account, which is called Blocked Deposit and Trading ('BDT'), restricts a customer from depositing new funds and opening new positions. But it doesn't restrict a customer from managing open positions or withdrawing funds from the account. So, Mr H could still close his positions at any time, change a stop loss or take profits, so this suggests Mr H was able to manage his account during the time the BDT was in place.

However, I understand that on the day the limitation was applied Mr H used the remaining balance on his account to extend the stop loss of two Natgas positions. Because of this, Mr H entered negative balance due to the accumulated overnight fees over the following days so given the restrictions imposed by the BDT he couldn't add any funds to the positions to extend the stop loss. However, Mr H could have closed any of his open positions to get his balance freed and have used that to manage his open positions. I accept this would have been an inconvenience for Mr H as he wasn't able to act on his account as he might have wanted but I don't find the reasoning behind the imposition of the BDT itself to be unreasonable, so it follows that I also don't find the particular limitations – of not being able

to add new funds or open new positions – to be unreasonable as Mr H was still able to manage his account otherwise.

I've reviewed the information requests from eToro and Mr H's responses. I can see an internal note of 14 February 2024 requesting that Mr H be asked for an explanation for the overseas log in and a utility bill dated within the last three months. Mr H confirmed via chat the next day he was on holiday but would be back in a couple of weeks' time and would provide his utility bill upon his return.

eToro messaged Mr H again on 26 February 2024 and asked for further clarification as to the log ins from overseas and a utility bill for his UK registered address dated within the last three months. Mr H messaged confirming he was British but eToro responded asking for an explanation of his overseas log ins which Mr H again confirmed. eToro replied that it still needed a copy of a utility bill as proof of address and chased for this again on 4 March 2024. Mr H provided a utility bill on the same day and eToro removed the limitations on the account.

Mr H was under the impression he had already provided the documents and information needed by eToro to remove the limitations. Mr H provided us with a copy of the emails he sent to eToro on 21, 26 and 27 February 2024 with a copy of his passport, bank statement, driving licence and utility bill but I note with the exception of one of the emails sent on 21 February, which included Mr H's passport, the recipient email address for the other three was Mr H's own email so understandably those documents weren't received by eToro as he intended. eToro did receive the passport copy on 21 February 2024 and I can see this noted on its internal records. But it still would have needed proof of Mr H's address hence its further messages of 26 February and 4 March 2024, the latter to which Mr H responded and the limitation was lifted.

While this must have been frustrating for Mr H, I can't find that eToro is responsible for the lack of receipt of the emails that Mr H misaddressed to himself. eToro was simply not in receipt of the information it had requested. That being said, eToro has told us a bank statement can be used as proof of address as well as a utility bill. And I think a bank statement would have been much easier for Mr H to have provided than a utility bill bearing in mind he was overseas at the time of the request.

eToro told us Mr H had previously provided it with a bank statement in 2022 so this was clearly something that was acceptable to eToro, but it didn't make this clear in its requests to Mr H despite having the opportunity to do so once it was aware of where he was logging in from and wouldn't be able to provide a utility bill until he returned home. So, I think Mr H was caused unnecessarily distress because of this lack of clarification and an award is warranted. Bearing in mind the level of awards this service makes, I think £150 is a fair reflection of the trouble and upset Mr H was caused.

#### Losses incurred on open positions

Mr H would like his losses repaid that occurred as a result of the overnight fees being charged and positions going against him while the BDT limitation applied.

However, eToro made clear its position about overnight fees in its email of 31 January 2024 and that they applied to CFD positions. So, this had been clarified to Mr H at that point and so the misinformation he had been given in December 2023 doesn't apply to this complaint and his request for repayment of losses as Mr H was aware of the overnight charges before the BDT limitations were placed on his account on 14 February 2024.

With regard to the limitation itself being imposed, I have already found that eToro wasn't being unfair or unreasonable in its application of the BDT. And while the limitation meant Mr H couldn't add new funds or open new positions, he was able to manage his account in either closing positions or changing any stop losses he had.

Mr H has said he didn't want to access his account until the issues had been resolved. But that was his decision. And after the limitation was lifted there was nothing that prevented Mr H from acting on his account however he wished. So, I don't find eToro responsible for the losses Mr H has incurred in his decision to keep the positions open when he could have acted to mitigate any losses.

### **Putting things right**

Taking all the above into account, I don't agree eToro was being unreasonable in applying the BDT limitation to Mr H's account while he was overseas in a 'banned' country. But I do think eToro could have been clearer about what documents it would accept in order for the limitation to be lifted and I think £150 is a fair award for the upset Mr H was caused.

I don't agree that eToro is responsible for losses incurred on his account during the period the BDT was applied as he could have managed his account during this time. And I also don't agree eToro is responsible for losses incurred pending the outcome to the issues raised by Mr H. Again, he could have acted on his account but chose not to.

eToro has already offered US\$1,200 as a gesture of goodwill which equates to the overnight fees Mr H incurred between 21 December 2023 and 31 January 2024. As already explained, this is a higher sum than I would award in similar circumstances for the trouble Mr H was caused when he was misinformed about the overnight fees. So, it is for Mr H to decide whether to accept that offer.

I appreciate Mr H will be disappointed that I haven't upheld his complaint any more than I have done. It's clear he feels very strongly about it. But I hope I have been able to explain how and why I have reached the decision that I have.

### **My final decision**

For the reasons given, I uphold Mr H's complaint about eToro (UK) Ltd in part and it should put the matter right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 April 2025.

Catherine Langley  
**Ombudsman**