

## **The complaint**

Miss C complains that IG Markets Limited ('IG') caused her financial loss by allowing a contract for differences ('CFD') trading account to be opened in her name.

## **What happened**

IG opened a CFD trading account for Miss C following an application completed on 29 December 2020.

Miss C says this account came to be opened following her engagement with an unregulated third party, I'll refer to as 'A'. An agreement was signed between Miss C and A on 5 January 2021 for A to trade financial instruments on her behalf using IG's platform. Miss C signed a limited power of attorney ('LPOA'), using IG's standard form on 12 January 2021. This LPOA had the effect of linking an account in her name to another IG profile where the trading activity A would carry out on her behalf would take place.

Once the account was set up Miss C deposited £80,000, the minimum A said she needed to deposit for it to carry out the arrangement it was offering Miss C. The £80,000 deposited came from £60,000 of her personal savings and £20,000 from a personal loan for this venture.

Under her agreement with A, Miss C would split returns with it on a 50/50 basis. Her recollection is she received payments from A relating to those investments from February 2022 until August 2022. After which she received no further payments from A.

In January 2023, concerned about the lack of returns and communication from A she contacted IG, which made arrangements with her to provide her access to the account. This led Miss C to being aware that she had incurred significant losses with around £30 left in the account from the £80,000 she had deposited.

Following that discovery, Miss C complained to IG through a Solicitor which no longer appears to represent her. The complaint to IG said:

- The account was unsuitable for Miss C.
- It was opened and operated without Miss C's knowledge or consent through an email address she never had access to.
- IG had no contact with Miss C during the account opening and onboarding process.
- All communications were carried out through an email address only A, and not Miss C, had access to. Those communications included the onboarding questions and knowledge test IG asked to be completed.
- IG failed to identify it wasn't Miss C operating the account.
- IG allowed transactions to be instructed by A, who didn't have authority to do so.

IG considered Miss C's complaint but didn't agree it should be upheld. In summary, it said:

- It had verified Miss C's identity in its account opening procedures from the information provided, which was reasonable for it to consider.
- It wasn't required to validate the email address being used was Miss C's.
- The test IG required to be completed for Miss C was passed on the first attempt. This along with the other information provided, led IG to the view the CFD account being applied for was appropriate for Miss C.
- There was no requirement for IG to assess the suitability of the account.
- A LPOA was completed allowing another access to the account. If the account was being used by someone else or the LPOA wasn't genuine, that wouldn't be reasonably apparent to IG.
- As Miss C signed this LPOA she would've been aware the account was being opened and operated by another.

As Miss C didn't agree with IG's response, she referred her complaint to our service. One of our Investigators considered what happened but didn't think her complaint should be upheld. Across a number of issued findings, he said:

- The account was appropriate for Miss C, as IG had been told she had sufficient resources and knowledge to trade CFDs and had passed IG's test around that.
- IG had reasonably carried out identity checks and wasn't required to carry out checks on the email being used. Within that there were no obligations on IG to carry out photo identity checks as Miss C expected, as she had to do when she contacted IG about the account in January 2023.
- Miss C had agreed to the LPOA and so she was likely aware the account was opened and being traded on by A.
- As a LPOA was in place, it wasn't unreasonable IG followed the instructions under that agreement.
- The same email address had been consistently used until Miss C contacted IG in January 2023.

IG accepted our Investigator's outcome. Miss C did not and in response to our Investigator's issued findings she said:

- The identity verification process was unfair as she thinks IG ought to have verified her through a photograph of her holding valid photo identification on account opening.
- She didn't think the sources IG used to verify her identity could reliably verify she was opening and using the account.

Our Investigator considered Miss C's points but didn't change his view of the complaint. As there was no agreement, the complaint was 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.

Miss C's testimony generally focuses on how the account was opened, by whom and the customer due diligence checks around that. And while I've considered those points, I've also considered IG's obligations to Miss C when it received the application to open this CFD trading account. Miss C hasn't specifically raised concerns around the 'appropriateness' of this account, but her initial complaint through her representatives at the time did refer to the 'suitability' of it, rather than appropriateness which is what would apply here. Given those arguments were made to IG, it would be within scope for me to consider whether it was appropriate for her, as I note our Investigator did consider in his findings.

### Appropriateness

The rules relating to the appropriateness for CFD trading are set out in COBS 10A. In summary these require that IG needed to have asked Miss C reasonable questions to identify the relevant knowledge and experience she has in the CFD field, or similar. When it receives information from its clients, the rules say firms are entitled to rely on what is provided unless the firm is, or ought to be, aware the information was out of date, inaccurate or incomplete.

If having considered the information available it thought CFD trading was inappropriate for Miss C then IG needed to warn her so. If on receipt of a reasonable warning of inappropriateness she was to ask the firm to go ahead anyway, then the relevant guidance says IG should decide whether or not to allow her to open the CFD trading account based on the circumstances at hand.

During the account opening process IG asked several questions to allow it to determine whether its CFD trading account was appropriate for Miss C. The account opening procedure demonstrates the following information was given about Miss C based on the questions IG asked:

- Employed – Finance – Accountant
- Income – £100,000 to £500,000
- Savings – £50,000 to £250,000
- Experience of trading:
  - Shares and Bonds – 'Less than 10 times'
  - Traded OTC Derivatives – 'Less than 10 times'
  - Exchange Derivatives – 'Less than 10 times'
  - Trade Management – 'I make my own trading decisions and/or take advice'
- Investment Knowledge – 'Both'
  - Which represented both 'from a relevant role in a financial institution' and 'relevant professional qualification/education'.

The overall answers to these questions indicated to IG that Miss C might lack sufficient experience to trade CFDs, triggering its requirement for a short knowledge test to be completed.

To pass this test, IG required at least 4 of the 5 questions to be answered correctly, which was generated randomly from a larger bank of questions. The test presented in Miss C's application tested her knowledge of calculating CFD profits, instances requiring further deposits of cash into a CFD account and three questions about guaranteed stops. Four of these questions were answered correctly with one of the three guaranteed stop questions being answered incorrectly. As this satisfied IG's pass rate of 80%, along with the other information provided, IG concluded that CFD trading was appropriate for her and opened an account for her to do so.

Miss C says A completed the application without her knowledge or input into the questions IG asked. Whether that was done by A, with or without information provided to it by Miss C, or Miss C herself, in my view it doesn't affect IG was able to reasonably rely on the information it was given. I say this because COBS 10A.2.6EU, as it was at the time, allows firms to do so. And I'm not persuaded, from the evidence that is available, IG could've reasonably known if someone was completing this information on Miss C's behalf, with or without her input. I say this because IG has explained it has no commercial relationship with A and I've not seen from the application, the LPOA or any other evidence that any of those make any mention of A or Miss C's arrangement with it. It follows then in my view it wouldn't have been unreasonable for IG to rely on the information it was told about Miss C.

The way the questions are answered would reasonably indicate to IG that she had some prior experience of investing which included CFDs. While the experience questions have been answered as 'Less than 10 times', the trade management question importantly is answered positively rather than the available option of 'None'. Which I'm satisfied demonstrates she had some experience with that range of assets, which includes CFDs, rather than none.

Her level of disclosed experience to trade CFDs in my view is finely balanced. But I've also taken into account, as IG was entitled to do, that the answers to the account opening questions demonstrate she had relevant investment knowledge gained through her qualifications and role in a financial institution. She also held a professional role as an accountant and had the salary and savings to have the means to trade CFDs. I acknowledge that Miss C disputes the accuracy of the information given about her income, savings and knowledge, where she says A completed this without her knowledge or input. But it is, as I've explained above, information IG received which it could in my view fairly rely on where I've not seen evidence it ought to have had reason to question what it was told was manifestly incorrect, inaccurate or out of date.

It follows then I've not seen IG unfairly considered this account to be appropriate for Miss C.

Even if I were wrong on the appropriateness of the account, had IG presented a clear warning about the inappropriateness of CFD trading for her, I think it's likely she would've asked to proceed anyway. She had entered into an agreement with A to trade in this way and had made prior arrangements to fund the venture in part with a loan which was taken out on 2 December 2020 which demonstrates she was committed to invest using A's method. I've also considered that Miss C had engaged with A who she understood to be an investment professional to trade on her behalf, which I think likely would've allayed concerns she might have had on presentation of such a warning of inappropriateness. Given those factors, I think it's more likely than not she would've asked IG to proceed in any event with her application.

In such an event, guidance at COBS 10A.3.3G says to firms if despite a warning being given the product being applied for is inappropriate that a firm is asked to proceed anyway, then the firm should consider whether to allow the application to go ahead having regard to the

circumstances. I've considered what IG ought to have reasonably known about Miss C and I can't fairly say it ought to have intervened here and rejected the application had events led it to need to. I say this because the indication to it was Miss C had some knowledge and experience of investing from her own trading experience and knowledge gained through work and education. She also had sufficient means and a knowledgeable profession to lead IG to likely have fairly considered in such an event that it should allow her to proceed to open the account being requested.

In summary, whether IG fairly considered the account to be appropriate or not, I'm persuaded on balance it was fair and reasonable to allow the application to open a CFD trading account to go ahead.

Following the account being opened Miss C signed to agree to IG's standard form LPOA, which was signed by a representative of A to act as the attorney. The terms of the LPOA have been provided and I'm satisfied through these Miss C consented to A being able to place trading instructions on her behalf. This LPOA doesn't mention A and only names the individual Miss C had been dealing with at A. I can't fairly say then that the presence of the LPOA ought to have caused IG to have reasonably known about A's involvement or Miss C's agreement with it. As I've already mentioned, IG has also confirmed it had no commercial arrangements with A. It follows then I'm not persuaded IG ought to have thought Miss C's arrangement potentially suspicious nor that it ought to have considered carrying out further due diligence on A.

As she had consented to A placing trades on her behalf by completing the LPOA, I can't say Miss C wasn't reasonably aware of this arrangement and the actions this allowed the named attorney to perform on her account. It had been set out by IG in a clear, fair and not misleading manner and was signed by her. It follows then it wasn't unreasonable IG accepted those instructions and allowed the subsequent trades to be placed under that agreement.

Given the above, I can't fairly attribute the losses Miss C has incurred to IG from it allowing the CFD trading account to be opened nor the trading activity which took place on it. It's unfortunate for Miss C that she's incurred the losses she has, and I sympathise with the impact this situation has no doubt had on her. But for the reasons explained above, I'm satisfied IG fairly accepted her application and the trade instructions that followed for the reasons explained above and that her losses were more likely caused by A's trading activity as opposed to anything IG did or didn't do in these circumstances.

#### Identity checks

Miss C says IG ought to have spoken to her during the account opening process or asked to verify her by a photograph of her holding valid identification. Her argument is that if it had then IG would've realised she hadn't authorised the opening of the account or completed the account opening questions. In my opinion there are more stringent due diligence requirements on IG than it applied to her circumstances.

I understand the point being made and I've carefully considered Miss C's points on this part of her complaint, but I've not seen I can fairly agree with her. Given the agreement she entered into with A, I'm satisfied she had some awareness an account was to be opened with IG where her contract with A says trading will be carried out on its platform. So I can't agree she wasn't going to authorise the opening of an account with IG, which for the reasons given above I'm satisfied IG carried out fairly.

Turning to identity verification, IG's application process is largely automated and does include identity verification within it. It's important to set out here the 'know your customer'

checks Miss C has referred to are largely in place for the prevention of money laundering, fraud and crime.

IG has evidenced that it carried out verification against the information it had about her using a well-known third party's identity verification service. This completed with no warnings or issues being raised and so was automatically passed without the need for further checks. I've reviewed the evidence provided around this and while the screenshots don't show what was parsed through the third party verification, given the nature of these checks and the information IG had about Miss C, I'm satisfied it used such information as provided about her, as if it hadn't then the check likely would've failed.

I'm satisfied given it was a CFD account being applied for, the reasons for 'know your customer' checks being carried out and as IG had no other concerns about Miss C, it carried out a fair and proportionate level of checks on Miss C's identity. That result led to IG being satisfied she was genuine person and I'm not persuaded it needed to do anything more to verify Miss C's identity.

I understand Miss C's point that IG would be certain it was her opening the account had it required her to provide a photograph of her holding valid photographic identification. But importantly there's no obligation on IG to do so outside of the proportionate checks it had completed. It only later asked Miss C to provide a photograph of her holding valid identification when it received contact from her about changing the details on the account. IG says it did so as part of its fraud prevention procedures in protecting Miss C's account from non-permitted access. That situation is different to the account opening which as I've mentioned those checks are more around prevention of crime and ensuring a real living person is applying to be the account holder.

Miss C has said the email address provided on the account opening form wasn't hers and included the name of A in it. In her view that ought to have raised concerns with IG that she didn't have access to that email address where the account opening questions had been sent to. But there's no obligation for IG to check the owners of emails addresses, which would have its own practical difficulties. While I accept the email has A's name in the domain part of the email, I'm not persuaded that ought to have alerted IG to the potential Miss C might not have access to the account. It wasn't aware of A or its involvement, and there could be many genuine reasons for that address being used. It follows then I've not seen that IG reasonably ought to have questioned it further.

Given the above I'm satisfied IG fairly carried out its obligations when verifying Miss C when the account was opened.

**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 Miss C to accept or reject my decision before 6 May 2025.

Ken Roberts  
**Ombudsman**