

## **The complaint**

Mr Z complained about Plus500UK Ltd. He said it shouldn't have allowed him to open a contracts for difference (CFD) trading account as it was not appropriate for him. He said Plus500UK should also have intervened and stopped him from trading sooner, when he was depositing more than he told it he could invest.

Mr Z said Plus500UK should compensate him for the losses he made on his trading account.

## **What happened**

Mr Z opened a CFD trading account with Plus500UK on 17 January 2023. Mr Z made multiple trades in quick succession up to 7 March 2023 and incurred investment losses of around £14,000. On 8 March 2023, Plus500UK took the decision to close his account.

Mr Z said he shouldn't have been allowed to open an account in the first place. He said he had insufficient experience and hadn't traded in CFDs before. He said he was a student and was using his savings only. He said Plus500UK didn't ask enough questions on application about his circumstances. He said Plus500UK should have picked up on his inexperience and deemed its services not appropriate for him.

Mr Z said in addition Plus500UK allowed him to keep trading even though he was making more financial losses than he had told it on application he could afford to risk and lose. He said he was initially prepared to trade with £4000, which was a proportion of his savings. He said, after depositing this amount to start with, he shortly after deposited more. He said Plus500UK failed to intervene and stop him from doing this, and subsequently from incurring further losses.

Plus500UK said in response that it was an execution only broker and it was up to Mr Z to decide what to trade in. It said it was not liable for the losses incurred by Mr Z in the choices he made.

Plus500UK said it was however obliged to consider whether a trading account was appropriate for him. It said an assessment was undertaken upon his application. It explained the process it followed in carrying out its appropriateness test and then said based on the answers Mr Z provided, it established that the account was appropriate. It said Mr Z also agreed to its terms and conditions in relation to the account. It said it provided information about the risks involved in CFD trading in the user agreement, a risk disclosure notice and on its website.

Plus500UK added that it monitored Mr Z's account and noticed he had deposited more than the amount he said he would and so on seeing this on 02 March 2023, it contacted him. It said Mr Z confirmed that he had £15,000 to trade with and provided bank statements to verify this. Plus500UK said on seeing this it didn't feel at this stage that it needed to do anything further.

Plus500UK said six days later, on 8 March 2023, it decided to terminate Mr Z's account after he had informed it, he had a trading addiction. It said it stepped in when it needed to, and

this was in line with the terms and conditions of Mr Z's account. It didn't think it had done anything wrong so didn't uphold his complaint.

Mr Z was not happy with Plus500UK's response and referred his complaint to our service.

An investigator looked into Mr Z's complaint. She said she was satisfied Plus500UK acted in line with its terms and conditions. She said it acted fairly and reasonably and that she wasn't going to be asking it to do anymore. She said based on the answers Mr Z provided, Plus500UK established it was appropriate for her to have an account. She said Plus500UK were entitled to rely on what Mr Z said.

The investigator concluded she was satisfied Plus500UK hadn't done anything wrong. She described different ways that it had highlighted the high risks associated with CFD trading and that Mr Z had accepted this by agreeing to the client agreement in his application to open an account. She also concluded Plus500UK intervened when it saw Mr Z was incurring more losses than he had told it he was prepared to invest in its appropriateness test.

Mr Z was not in agreement with the investigator's view. He said the questions asked by Plus500UK in its appropriateness test were too broad and so the answers he gave could have been misconstrued to show he had more experience in investing than he had at the time. He said he had no experience of trading in CFDs and had not made any money from investing. He said the answers he provided showed a lack of financial capacity and lack of experience. He said he had no CFD trading experience before he opened the account and Plus500UK failed to consider this. He reiterated Plus500UK should have intervened sooner to stop him from making the losses he went on to make.

I have issued two provisional decisions upholding Mr Z's complaint. The first one I issued on 11 June 2024 and then after the parties responded, I decided to issue a second provisional decision on 6 August 2024. This is because the comments I received about my first provisional decision, persuaded me to change my findings. So, I felt it was fair, to give the parties another opportunity to provide comments on my revised findings and outcome.

The parties have received copies of the two provisional decisions that I have sent out. But for completeness I include an extract from both of them below.

### **The first provisional decision sent to the parties on 11 June 2024**

*"I can see Mr Z's complaint is about firstly, whether a CFD trading account was appropriate for him and whether Plus500UK should have done anything differently here. Secondly, Mr Z also thinks it should have intervened sooner when he started depositing more funds than he said he would from the outset. I have looked into both of these issues.*

*Should Plus500UK have done anything differently when it agreed to Mr Z having a trading account?*

*Mr Z applied for a CFD trading account with Plus500UK on 17 January 2023. When he did this, Plus500UK, as a regulated firm, had obligations to ensure that the account was appropriate for him.*

*The relevant Financial Conduct Authority rules that applied to Plus500UK are in its handbook – within the conduct of business section (COBS). In particular, Plus500UK needed to determine Mr Z's knowledge and experience of CFD trading. This is explicitly stated in the following rules in COBS:*

10.2.1 (1) When providing a service to which this chapter applies, a firm must ask the client to provide information regarding his knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded so as to enable the firm to assess whether the service or product envisaged is appropriate for the client.

10.2.1 (2) When assessing appropriateness, a firm must determine whether the client has the necessary experience and knowledge in order to understand the risks involved in relation to the product or service offered or demanded.

10.2.2 The information regarding a client's knowledge and experience in the investment field includes, to the extent appropriate to the nature of the client, the nature and extent of the service to be provided and the type of product or transaction envisaged, including their complexity and the risks involved, information on:

- (1) the types of service, transaction, and designated investments with which the client is familiar;
- (2) the nature, volume, frequency of the client's transactions in designated investments and the period over which they have been carried out;
- (3) the level of education, profession, or relevant former profession of the client.

*I have considered the above rules when I have looked at how Plus500UK carried out its appropriateness assessment and the answers Mr Z provided, when it did.*

*I can see Mr Z didn't have any experience of carrying out CFD trades before he applied to Plus500UK for an account, and experience is something that is described within the rules given above. But I don't think Mr Z's lack of making trades would automatically mean that he shouldn't have been given a trading account.*

*Mr Z was a student and not in receipt of regular income at the time of his application. But he has told our service that his plan was to invest £4000, a proportion of his savings that he had accrued from previous employment, to try and make money by intraday trading, something that was his choice to want to apply for at this stage.*

*Mr Z demonstrated knowledge of CFD's and answered the questions in the assessment correctly. He also stated that he had a qualification and / or higher education in a finance related field. Looking at what Plus500UK has said about why it assessed the trading account as being appropriate for Mr Z, I don't think on balance, it was being unfair to him, and I don't think it needed to have done anything further here or act at this point. I can see that Mr Z had gone some way to demonstrate that he held knowledge and an education in order to trade CFDs.*

*In addition, looking at the documentation Mr Z would have seen at the time; I think he was also given at least some notice of the nature of risk that trading in CFD's brought with it.*

*To conclude, I can see that Mr Z applied for a trading account as he was looking to risk some of his savings that he had accrued from previous employment to try and make some money by intraday trading. He showed on balance, that he was aware of how CFDs worked, was aware of the risks, had some education in finances and off the back of this, Plus500UK decided an account was appropriate for him. Based on what I have seen and read from both parties about Mr Z's intentions and what was recorded down and assessed, I am currently at this stage, not persuaded Plus500UK needed to have done anything differently here, so I won't be asking it to do anything further. It follows, that I currently don't uphold the first part of Mr Z's complaint.*

*That said, Plus500UK as a regulated firm held a duty of care towards Mr Z and would have been aware of his circumstances from the answers, he provided to it during sign up, as he*

*began trading. It's with this in mind, that I have gone on to look into the second part of Mr Z's complaint.*

*Should Plus500UK have intervened sooner when Mr Z was depositing more funds than he said he was able to?*

*Once the account was opened, Mr Z was free to trade as he wished, with Plus500UK carrying out his instructions, as an execution only broker. Mr Z carried out trades on most days and up to 10 February 2023, he was using funds from his original deposit.*

*On 10 February 2023 however, Mr Z had made losses equivalent to his initial deposit of £4000 and so he deposited more. This continued and in quick succession Mr Z made several deposits ranging from £500 to £1000 at a time. By the time Plus500UK contacted Mr Z about his deposits on 2 March 2023, he had made 16 deposits totalling £10,700 in addition to the £4000 initial deposit he made (albeit he also made 3 withdrawals equalling £4140 in this time period too).*

*Plus500UK has told our service, Mr Z had been flagged on an internal report due to the deposits he was making, so it decided to contact him. It said it did this as it took its duty of care to its clients including Mr Z seriously, by taking this extra step. I have read the email exchange between the parties and can see Plus500UK sought to validate Mr Z's reply that he had more funds that he wanted to invest. It said to Mr Z:*

*"We are reviewing your account, and we have noticed that you have deposited more than you anticipated when applying for your account. You advised in your recent questionnaire [appropriateness assessment] that you had £100-5000 available to trade with per year, but so far you have deposited more than you originally declared".*

*Plus500UK said it was at this point that Mr Z confirmed that his current available funds were £15,000. It has told our service that when it received Mr Z's self-declared confirmation of funds that it decided it needed to validate what Mr Z was saying. It said it decided to take this step as Mr Z said in his appropriateness assessment that he was a student and so it wanted to ensure that he wasn't depositing from a student loan. It said it asked him to provide bank statements so it could validate what he was saying.*

*Plus500UK said when it received Mr Z's bank statements, it could see he was receiving deposits, and considered that he was in part time work. It said it didn't push things anything further. It said COBS allows firms to rely on information a customer provides, and according to it, at this stage Mr Z said nothing out of the ordinary.*

*I have first of all considered whether Plus500UK should have contacted Mr Z sooner than it did. It contacted Mr Z on 2 March 2023, as it says it was concerned that Mr Z had deposited more than he said he was prepared to risk trading with. But by this stage Mr Z had deposited many times and well over the amount he stated he was prepared to risk, in its appropriateness test.*

*Plus500UK has explained why it felt it needed to contact Mr Z to ask further questions. It said in its email to him that he had declared he had £100-5000 available to trade with per year, but he had deposited more. I think it stands to reason, if the amount Mr Z was depositing was the trigger for its concerns, then it ought to have contacted him sooner than it did. Mr Z had deposited over £5000 into his trading account on 15 February 2023. It is at this stage that I think it is reasonable to conclude, Plus500UK ought to have contacted Mr Z to ask him about his account and whether he could afford to deposit any more.*

*I say this, because Plus500UK has told our service it had concerns about whether Mr Z could afford to make any more deposits, and it wanted to check that he wasn't using student loans as the source for his funds either. So, I think, if it held those concerns, it ought to have intervened sooner and on 15 February 2023, after Mr Z had made a deposit pushing him over the amount, he stated he could afford to trade with. So, I currently conclude Plus500UK should have intervened and contacted Mr Z on 15 February 2023 about his account.*

*But just because I have concluded Plus500UK should have intervened sooner, doesn't automatically mean that I think Mr Z has lost out here. I need to consider what would have, more likely than not happened if Plus500UK had and what it would have found if it had carried out sufficient checks to satisfy itself about the concerns it had identified. So, I have gone on to look at the statements provided by Mr Z, that Plus500UK asked for when it did contact him.*

*I can see that the statements provided by Mr Z are greatly redacted and only show income payments that he received from employers over a period of several months prior to opening the trading account with Plus500UK. I asked Mr Z about these payments, and he told me that they were from companies that he had previously worked for: the first company he ended employment with, in October 2022 and the second ended a week before he applied for an account with Plus500UK.*

*I haven't seen in any of the correspondence that Plus500UK were aware that Mr Z was not in employment or that the statements showed payments from previous employers, but in any case, I don't currently think it did enough when it received the statements. I think it ought to have done more to validate what Mr Z was saying at that time.*

*Plus500UK said it sought further information from Mr Z because it was concerned at this stage that, as a student he could be depositing from a student loan. I think it was right to act here due to what Mr Z had stated earlier on his application, because although I have concluded the account was appropriate for him when he applied for it, Mr Z was now depositing additional funds into his account, more than he said he was prepared to invest in a year. But I don't think the checks Plus500UK achieved its aims to validate what Mr Z was saying.*

*The statements Mr Z produced, I don't think, would have given Plus500UK any assurances that he held the funds he stated he held, or that he could afford the deposits that he was making. As I have already mentioned, the statements were redacted to only show income payments from employers spanning over several months, and these amounts did not come anywhere near the amount he had deposited (and lost) in his trading account. I can't see how the statements provided by Mr Z, could have validated his own declaration about his available funds, or confirm to Plus500UK that he wasn't using funds from a student loan, or at the very least that he was able to afford to make the deposits he had already made.*

*Based on what I have seen, I think Plus500UK on receiving Mr Z's statements, should have carried out further checks or placed restrictions on his account. I currently think, that if it had carried out further checks, and considered Mr Z's circumstances fully, when it should have intervened, it would have seen that he was continuing to deposit his savings, had no other forms of income and was at risk of causing himself financial harm because at this stage, there would have been doubts that he had the financial capacity to continue. He had no additional income and had already invested and lost the amount he said he was prepared to trade with, and in a short period of time. I think if Plus500UK had uncovered what was in reality happening here, it would have taken action to protect Mr Z from risking further losses. I think it would have restricted and closed Mr Z's account sooner than it did.*

*Plus500UK stepped in on 8 March 2023 and closed Mr Z's account. It said it was acting on information received by Mr Z that he had a trading addiction. But I am currently minded to conclude it should have stepped in a lot sooner, if it had acted on its own concerns about Mr Z's account activity and his deposits. I am currently minded to conclude it should have contacted Mr Z sooner, on 15 February 2023 for the reasons I have already given. And I am currently minded to conclude if it had done so, and carried out sufficient checks on his circumstances, it would have seen that he didn't have the financial capacity to make any further deposits, above what he had initially stated he could afford to trade with.*

*So, on balance I think Plus500UK would have put limitations on his account from 16 February 2023 onwards and not allowed him to make any further deposits from this point. So, it follows that I uphold Mr Z's complaint and Plus500UK needs to now put things right."*

### **The second provisional decision sent to the parties on 6 August 2024**

*"Plus500UK is happy that I didn't uphold Mr Z's complaint about its appropriateness assessment and Mr Z accepts my decision. So as this is the case, the parties are now no longer in dispute about this part of Mr Z's complaint. So, I don't feel I need to comment any further about when Mr Z applied for an account with Plus500UK or its assessment and it agreeing to him having it.*

*So, what is left for me to consider is about what happened after Plus500UK agreed Mr Z could have a trading account. I concluded in my provisional decision that Plus500UK ought to have intervened sooner than it did and put limitations on Mr Z's account from 16 February 2022. Plus500UK has made several comments in response to what I have said here and said why it is unhappy with the provisional decision that I made in this regard.*

*Plus500UK said it was unreasonable for me to expect it to intervene as soon as one of its clients deposits more than it says it is going to when they signed up to have an account. It said there is no prescribed timescale within the rules for it to do this and the intervention it made was timely. It said it is unreasonable to hold it to such a high standard of customer surveillance and intervention.*

*I looked at Mr Z's complaint on its own individual merits. To be clear, I didn't conclude that Plus500UK should intervene as soon as any of its clients deposits more than they said they would or that it should do more to monitor all of its clients and intervene, in every case where someone deposits over the amount they said they would trade in a year. Instead, I drew my conclusions based on what happened in Mr Z's complaint only. This is not about holding Plus500UK to account to a higher standard of, as it puts it, surveillance, and intervention. This is about it acting on concerns it held about one of its clients: Mr Z. That being said, I have reconsidered when Plus500UK ought to have intervened, and have looked again at what happened.*

*Plus500UK told our service it held concerns about whether Mr Z could afford to make any more deposits, and it wanted to check the source of his funds. It intervened on 2 March 2023 and sent an email to Mr Z asking him to send information to it, so that it could validate whether he did have enough funds to continue to deposit on his account.*

*I concluded it should have done this sooner, on 16 February 2023. Plus500UK has been quite clear about why it disagrees with my finding and has said it felt its intervention on 2 March 2023 was timely, being only two weeks after Mr Z opened his account. So, because of what it has said, I have considered this again. The question I need to consider is whether*

*Plus500UK's intervention on 2 March 2023 was fair and reasonable or whether it should have or was able to intervene sooner.*

*Plus500UK has told us Mr Z's account activity came up in an internal monitoring report and off the back of that it then acted and sent the email to him on 2 March 2023. I have considered its actions here again and now think it wouldn't have been aware of there being an issue with how Mr Z ran his account, as it was providing an execution only service to him, up to the point that his account activity flagged on its report. Then I can see that it acted by contacting him and asking for further information from him so it could validate his funds, as soon as was practicable by it. So, with this in mind and what Plus500UK has said in response to my provisional decision, I don't currently think it was being unfair by intervening when it did, on 2 March 2023.*

*As I have just said, Plus500UK contacted Mr Z on 2 March 2023, two weeks after he had opened his account and had initially added his first deposit of £4000. In the intervening period Mr Z, deposited additional funds frequently and within a short space of time. Mr Z made 16 deposits within this time and these along with his initial deposit, came to around £10,600 after taking away withdrawals in the same period. So, Mr Z had at this stage deposited a significant amount of his stated overall savings and did so within a fortnight of him opening an account. I can see why Plus500UK, at this stage did intervene and contact Mr Z. I can see why it wanted to find out more and validate what Mr Z had already told it about his finances and his circumstances.*

*When Plus500UK did contact Mr Z and ask him for bank statements to verify his finances, it accepted what was in front of it even though by its own admissions now, it has said the statements didn't tell it anything and were inconsequential. I don't currently think Plus500UK could have satisfied itself that Mr Z could carry on trading or what his financial circumstances were based on these. I think its comments only support what I am saying here: that it ought to have asked Mr Z about these statements and seek confirmation about what it was looking at, and whilst it was doing this, place restrictions on his account.*

*With the concerns it held about Mr Z's finances on 2 March 2023, I don't think it would have been treating him fairly if it let him carry on trading (as it did) or ask for more information and then let him carry on trading without restriction whilst it waited for an indefinite amount of time for a response. After all, the reason why it asked Mr Z for statements in the first place was because it had seen Mr Z had deposited more than he told it he would trade in a year, within a couple of weeks and it held concerns about how he was potentially funding his account.*

*I currently think if Plus500UK had verified Mr Z's statements further, it would have more likely than not found that Mr Z was unemployed and that he couldn't afford to deposit anymore into his trading account. I think Plus500UK ought to have placed restrictions on Mr Z's account from 2 March 2023, whilst it further verified what he had shown it. And once it had done this, I think with the information it more likely would have found, it would have terminated his account.*

*Finally, Plus500UK said within its own terms and conditions it states that, before terminating an account it needs to give a client 14 days' notice. It said during this period, it allows for deposits so that its clients can manage their open positions. It said if it restricted Mr Z's account, when I have concluded it ought to have done, then Mr Z would have made all the same deposits as he had done on his account and would have incurred the same losses. It*

*said, even if it had done everything, I had concluded it ought to have done, Mr Z would not be in a financial better position.*

*I have looked at the terms of agreement document that Plus500UK supplied in relation to Mr Z's complaint. I can see under the heading 'Termination' that Plus500UK can terminate an agreement and close an account immediately. Within the terms of agreement Plus500UK states:*

*"(2) If either party terminates this agreement and/or closes the account all open trades will immediately be closed at the prevailing price on the trading platform*

*And*

*(3) we may at our sole discretion decide to close your account, whether or not you are in breach of this agreement. Any open trades or orders will be closed as per clause (2) above.*

*I acknowledge what Plus500UK are saying about how it would normally manage an account termination with its clients. But Plus500UK has also told us that when Mr Z disclosed, he had a trading addiction on 8 March 2023, his account was immediately restricted. I can see on Mr Z's trading account that his last 2 open positions were closed out on that date, and no new positions were opened. No new deposits were taken either. I think in the circumstances of Mr Z's complaint, with the concerns that it held, and what it would have found, I am currently minded to conclude it ought to have restricted his account on 2 March 2023 and not allowed any new deposits, for the reasons I have already given.*

*So, in conclusion, I acknowledge what Plus500UK have said. It's comments have persuaded me to change my mind and make a different finding about when it ought to have intervened. But I think it should have restricted Mr Z's account so that he didn't make any further deposits from the date it did intervene, this being 2 March 2023. With that being the case, I currently uphold Mr Z's complaint and it follows Plus500UK now need to put things right."*

I asked both parties to let me have any comments, or additional evidence, in response to my second provisional decision.

Plus500UK responded on 14 August 2024 and made the following points. It said:

- Whilst it is satisfied, I altered my findings, it still very much disagrees that it should be made to compensate Mr Z for the period from 2 March 2023 to account closure.
- It doesn't understand why it should have restricted Mr Z's account on 2 March 2023 when the statement did not show anything concerning. It doesn't think it should have placed restrictions and prevented Mr Z from using his account when it had no reason to believe Mr Z was vulnerable or that he wasn't going to co-operate.
- Mr Z told it in writing that he had a further £15,000 available to trade. The rules permit it to rely on the information provided by its clients. At this point it had no reason to doubt that Mr Z had sufficient funds to continue to deposit.
- The reason it restricted Mr Z's account on 8 March 2023 was that this was the



first time he had informed it he was vulnerable. Again, Mr Z told it he had another £15,000 and his statement did not show anything concerning.

- Plus500UK is an execution only broker. It is the customers responsibility to manage their own finances. It is not its role to Mollycoddle its customers and restrict their accounts as soon as they deposit over their pre-declared levels.
- It restricted Mr Z's account on 8 March 2023 as soon as it knew Mr Z was vulnerable. There was no need to take such actions earlier for the reasons it has outlined.

Mr Z responded on 2 September 2024 and has made a significant number of points in response to my second provisional decision. I haven't documented all of what he has said. I don't mean this as a discourtesy, its more a reflection of the informal nature of our service, that I should try and deal with what I think the crux of his complaint is. But I do recognise the strength of his feelings. I would like to reassure Mr Z at this stage, that I have carefully read and taken all of what he has said into consideration.

In doing so, I have summarised what I think are the key points and what I think are material to the outcome of Mr Z's complaint. These being:

- He had previously accepted the first provisional decision to save a lot of stress, time, and anxiety. He felt the quicker his complaint was resolved the better. But after reading the updated [second provisional] decision, he was extremely upset at the inaccurate points made by Plus500UK. He, therefore, because of this, rejects all the findings I have made in both provisional decisions.
- Mr Z said Plus500UK was incorrect to say it closed his account upon learning he had a trading addiction. He provided times on 8 March 2023 that he said shows it terminated his account before he told it he had an addiction. He said the times he can see each event happened, clearly show it had the full intention of terminating his account before he informed it of his addiction. He said it is clear to him that it closed his account based on its own information and evaluation of his account.
- Mr Z said by Plus500UK's own admission, his statements didn't provide it with any reason to close his account. So, it must have been his initial application that raised concerns. In which case, he believes he should be compensated for all his deposits from the start minus withdrawals made.
- Mr Z made several comments about a mistake I made in my second provisional decision where I said Plus500UK contacted Mr Z two weeks after he opened his account. Mr Z said Plus500UK made contact after 6 weeks not 2.
- Mr Z said if he had answered no to the professional experience question in Plus500UK's assessment of his application, then he believes under COBS, it would not have been deemed appropriate for him. He said his other answers given indicate the account was not appropriate for him.
- Mr Z said, as his application barely scraped through Plus500UK's assessment, he thinks it should have asked more questions about his professional experience. Mr Z said if it had done this, it would have seen he had misunderstood the

question and didn't have the qualifications or experience necessary. So, it would have either restricted him from opening an account or would have given him a warning. He said either of these scenarios would have prevented him from financial harm.

- Mr Z believes Plus500UK terminated his account due to his weak application and it raised it was not suitable for him, but it took over 6 weeks to realise this.
- Mr Z then made a series of comments about what Plus500UK said in response to my first provisional decision. These included that:
  - He does not believe it difficult or a lengthy process to restrict an account. He pointed to it restricting his account and how long that took for it to act: 1 day.
  - He said in response to it saying it was up to him to manage his own investments, he said it was due to Plus500UK's lack of due diligence that it did not understand his circumstances, and this led to him being caused financial harm.
  - He said he did not believe an instantaneous restriction on deposits if warranted was a high standard of surveillance and intervention.
  - He said Plus500UK said he had declared up to £20,000 in savings but the question he answered was broad and he selected an option between £5000 and £20,000 not £20,000.
  - He said in response to Plus500UK stating it would need to give him notice of 14 days to manage his positions before closing his account, that this was irrelevant. He said if it had restricted his deposits then it would have protected him from further financial harm, regardless of how long it gave him to manage his positions.
- He said, throughout his time trading, his only source of income was his student finance as he was not in any other employment. Once he lost his savings, he had to obtain a loan because he was short of funds.
- He said Plus500UK should have known about his financial circumstances with the answers he gave in his initial application. He said he answered that he was a student on his application, and he chose the income bracket £0 - £15,000. So, it was foreseeable that he was a student with no income. He said he can't believe a student with no income could open a trading account, let alone not be asked questions about this. It has already said it held concerns about him using student finances, so it could have contacted him about this to find out more.
- Mr Z made observations that Plus500UK could have reacted quicker, and he has pointed to how quickly it terminated his account and how quickly it responded to him, when he told it that he had a trading addiction. He said it did these things in 1 day, so it stands to reason that it could have acted quickly and intervened when he deposited more than he said he was going to. He also made the point that it doesn't to him seem a lengthy process for a business to put a deposit restriction

on someone's account.

- Mr Z said Plus500UK didn't have an option where he could self-impose a deposit limit, so as this was the case, it should have been more diligent and intervened sooner.
- Mr Z said in summary, that he believes Plus500UK's due diligence has been below the standard expected and because of this, it has caused him financial harm. He said it allowed a student with no regular income to sign up for an account and deposit more than the amount he was willing to trade. He said he does not believe Plus500UK does not have the resources to be able to intervene when it ought to have done. He said its sign-up process is a series of broad questions and a tick box exercise, aimed at getting people signed up to its services when they shouldn't be given an account. He said because of the financial harm it caused meant he needed to take out a loan to meet his essential expenses to get him through to his next student loan payment.
- Mr Z said he strongly believes Plus500UK should be penalised for the way it has behaved in trying to push the decision in its favour, in his complaint.
- Mr Z queried why I had taken out the £300 payment for distress and inconvenience from my first provisional decision.

Mr Z said he thinks Plus500UK should be liable for his losses after he made his initial deposit for the reasons he's stated, or it should not have given him an account in the first place.

### **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.

I first of all considered Plus500UK's additional comments submitted on 14 August 2024.

### **Plus500UK's additional comments**

Plus500UK again asked why it should compensate Mr Z and put things right. It said it didn't think it had done anything wrong. It centred most of its comments around 2 March 2023 when it contacted Mr Z to ask him about his account and then on the same day when it sought to validate what he said. Plus500UK obtained bank statements from Mr Z and said it didn't see anything that was concerning to it and so it let Mr Z continue to deposit more funds and trade.

I would like to reiterate why I think Plus500UK made mistakes on 2 March 2023 and why it ought to have gone further with its validation of Mr Z's financial circumstances at that point.

Plus500UK told our service it held concerns about the deposits Mr Z was making. It said Mr Z's account had flagged on an internal report because of this and this is why it contacted him on 2 March 2023. After it's representative contacted Mr Z asking him to confirm what funds he had to trade for the current year, Mr Z responded that he had £15,000. The representative after receiving this response, asked for advice and received the following message back from a colleague on the same day:

*“Please can you ask him for the following in that case as he had stated he’s a student and we need to ensure he’s not using student funding to fund his account.”*

The representative from Plus500UK then went on to ask Mr Z for copies of his bank statements to validate what he told it, about the funds he had available.

Plus500UK said in its recent submission, that there was no reason to place restrictions on Mr Z’s account and prevent him from using it, but I disagree. It had its own reasons why it was validating what Mr Z said in the first place. It has previously told our service that Mr Z’s account activity had flagged up in a report due to the number of deposits he had made in quick succession, so its representative emailed him on 2 March 2023. The representative sought advice and as I have described above was given a response internally that validation was needed to ensure that Mr Z held the funds, he told it he had, and for the reasons given in the response.

I think, based on what I said in my provisional decisions about this and what I have just said here, that Plus500UK ought to have restricted Mr Z’s account on 2 March 2023 until it satisfied itself that Mr Z did have the funds, he told it he had and was in a position to continue trading.

Plus500UK said the redacted statements provided by Mr Z didn’t show it any issues of concern, it also said it had no reason to doubt Mr Z had sufficient funds to continue to deposit. But again, I disagree. It had its reasons as I have said above why it was validating Mr Z’s statement that he had £15,000.

I also don’t think, when Plus500UK did this, that it showed it what it needed to find out when it looked to validate what Mr Z had told it. It didn’t show Plus500UK that Mr Z held the funds he said he did, or that he wasn’t using student funds. If it had asked for more information, as I think it ought to have done here, it would have found out that Mr Z was unemployed and didn’t have the funds he told it he had. I think on receipt of this information, it would have terminated Mr Z’s account.

So, Plus500UK’s comments in response to my second provisional decision, do not persuade me to change my findings.

I have gone on to consider Mr Z’s comments in response to my second provisional decision that he submitted on 2 September 2024.

### **Mr Z’s comments**

I would like to thank Mr Z for the time he has taken to put together his submission and his arguments. Again, I would like to reiterate that I have read all of what he has said carefully. I will respond to what he has said by addressing his points about the initial sign up, then when he thinks Plus500UK ought to have intervened with his account and then finally general comments he has made about his complaint.

Mr Z has made several comments about the appropriateness assessment Plus500UK made when he first signed up to have an account with Plus500UK. He said the questions he answered were too broad and that based on the answers he provided Plus500UK ought to have carried out due diligence and asked him further questions. He said he answered that he was a student and between £0- £15000 income. He said in reality this meant he was a student with no income.

I considered these issues when I first looked into Mr Z's complaint and made my findings in my first provisional decision. I have looked through what Mr Z has said and looked at the documents again relating to the assessment Plus500UK made and although I acknowledge what he is saying, I am not persuaded to change my findings about what happened when he opened a trading account.

Plus500UK had regulatory obligations to assess the appropriateness of the trading account for Mr Z. I outlined what these were in my first provisional decision. I also described what Plus500UK would have been assessing when it considered the information Mr Z gave it at that time. These were that:

*"Mr Z was a student and not in receipt of regular income at the time of his application. But he has told our service that his plan was to invest £4000, a proportion of his savings that he had accrued from previous employment, to try and make money by intraday trading, something that was his choice to want to apply for at this stage."*

*"Mr Z demonstrated knowledge of CFD's and answered the questions in the assessment correctly. He also stated that he had a qualification and / or higher education in a finance related field."*

I appreciate the point Mr Z is now making that if Plus500UK had pushed him a bit further and asked questions about his professional knowledge and experience or it had asked more about his circumstances at that time, it would have found out more and most likely turned his application down or giving him a warning. But I don't think, on balance, that it needed to do that to meet its regulatory obligations on this occasion. It carried out an appropriateness assessment by asking Mr Z a series of questions and based on the answers he provided, on balance, I don't think it was wrong at this stage to allow him to open an account. I made the following relevant conclusion in my first provisional decision:

*"Looking at what Plus500UK has said about why it assessed the trading account as being appropriate for Mr Z, I don't think on balance, it was being unfair to him, and I don't think it needed to have done anything further here or act at this point. I can see that Mr Z had gone some way to demonstrate that he held knowledge and an education in order to trade CFDs."*

After considering what Mr Z has said, I am not persuaded to deviate from this finding. I still, on balance, consider at this stage that Plus500UK wasn't being unfair to Mr Z to allow him to open an account and trade with the £4000 savings he had accrued and let him try trading as was his wish at that time.

Mr Z has made a few comments that he felt Plus500UK must have had concerns about his circumstances at account opening, but I haven't seen any information that supports what he has said here. It is more likely that Plus500UK went on to intervene on 2 March 2023 and ask Mr Z for further information, for the reasons it has provided and what I have explained already in my decisions.

Moving on to Mr Z's comments about when Plus500UK ought to have intervened. Again, I do appreciate the point Mr Z is making about when it ought to have stepped in. That said, I would like to explain why I altered my findings from my first provisional decision to the second and decided that Plus500UK made a timely intervention on 2 March 2023.

I changed my findings because Plus500UK's comments about when it ought to have intervened, persuaded me to do so. I made a finding that on balance, that it was not unfair for Plus500UK to allow Mr Z to open an account, based on what he had told it. So, I felt in those circumstances that Mr Z should have been treated like any other customer from that point. So, there was no reason for it to scrutinise Mr Z's activities, up to the

point when his account had flagged up on its internal report and it then contacted him. I took on board what Plus500UK had said about this and then went on to what I thought was a fair and reasonable outcome in the circumstances.

To clarify also, I made a mistake in my second provisional decision and mentioned that it said it took 2 weeks from account opening to intervene. What Plus500UK actually said was that it took 2 weeks from the point Mr Z was depositing over the amount he said he would trade with. I understand by this stage Mr Z would have been trading for 6 weeks, as he has stated in his submission, and that was a clerical error that I made, in my second provisional decision, in the way I explained that.

Plus500UK did intervene on 2 March 2023, because it said Mr Z's activities had been flagged on an internal report. I can see that it contacted him that day and asked him further questions about how much he was able to trade with. When Mr Z told it he had £15,000, the representative then queried this and checked internally about what to do next. It then asked Mr Z to validate what he had said. Again, I don't think it was being unreasonable here. It allowed Mr Z to trade and manage his investments like any of its other customers, but then intervened when it received information that it needed to act on. I can see that it did this, up to a point.

Again, where I think Plus500UK made a mistake, was that when it received Mr Z's redacted bank accounts, it didn't ask him more about this. By its own admissions it said there was nothing in these screenshots that concerned it, but also there was nothing in this information that would have satisfied it that Mr Z held the funds he said he had either. It said it was satisfied that Mr Z had a source of income, but I don't see how it could have drawn that conclusion based on what I can see it would have seen. I think, on receipt of this information, Plus500UK ought to have held enough concerns on 2 March 2023 that it should have restricted Mr Z's account and not allow any further deposits to be made by him. It then should have looked to seek further validation from Mr Z as I have described in my provisional decisions. I thoughts about this haven't changed, after reading Mr Z's and Plus500UK's comments.

Mr Z has made some general comments about Plus500UK, including that he told Plus500UK about his trading addiction after it decided to terminate his account. Again, acknowledge what he has said here and can see the timeline that he has provided, but I don't think this changes the outcome of his complaint in any scenario. Plus500UK said it terminated Mr Z's account because he told it he had a trading addiction. But even if this wasn't the case, it was able to do this anyway. Plus500UK held concerns about how Mr Z was running his account at that stage, and it is just as likely it exercised its right to terminate his account, because of the number of deposits he had made by that stage. After all, it had contacted Mr Z about this only days before. I don't think that I can imply anything other than that, including what Mr Z has suggested happened here, from its decision to do this.

Mr Z feels Plus500UK should be punished for how it has behaved during his complaint. I am not going to consider Mr Z's request here as my role is not a punitive one, and I am not the regulator, that is the role of the Financial Conduct Authority. My remit is to try and come to a fair and reasonable outcome in all the circumstances of Mr Z's complaint.

With that in mind, I don't agree with Mr Z that Plus500UK shouldn't have given him an account to begin with. I can see that Plus500UK met its regulatory obligations by carrying out an appropriateness assessment and from this it allowed Mr Z to trade. I don't think on balance, it did anything wrong here.

I also don't agree with Plus500UK that it was ok to let him continue to trade once it had asked for and received the bank statements from Mr Z, when it looked to intervene. Plus500UK intervened for a reason, and that was because Mr Z had appeared on an internal report due to his account activity. It also expressed concerns on 2 March 2023 about Mr Z's financial circumstances. This is why it asked for further information from Mr Z in the first place. So, it stands to reason that it ought to have seen this through and satisfied itself that Mr Z was in a position to continue trading.

If Plus500UK had done this properly, and treated Mr Z fairly here, it would have seen he was not in a position to continue. So, for this reason and the reasons I have given in my second provisional decision, I uphold Mr Z's complaint and Plus500UK now need to put things right.

Finally, Mr Z has queried about whether he should be awarded a payment for distress and inconvenience as I initially prescribed in my first provisional decision. The reasons I awarded this payment was, that Plus500UK should have acted sooner to restrict his account, and this would have caused Mr Z undue stress and worry over a prolonged period of time.

I then in the second provisional decision, made a different finding, where rather than concluding Plus500UK should have acted sooner to restrict Mr Z's account, and the impact this would have had, instead I concluded it should have asked for more information and didn't. This failing occurred nearer to the point when Mr Z's account was terminated anyway, this being 2 March 2023, 6 days before he was restricted from trading on 8 March 2023.

So, I now don't think Plus500UK caused Mr Z undue stress and worry over a prolonged period of time. This is why I removed this payment, and it is the same reason why I am not reinstating it or considering a payment for distress and inconvenience here too.

Plus500UK has made mistakes though as I have described and so it now needs to put things right.

### **Putting things right**

For the reasons I've set out above and in my second provisional decision, I conclude Plus500UK needs to pay Mr Z compensation. To put things right in all the circumstances of this complaint, I think Plus500UK needs to refund any money Mr Z deposited in the account from 2 March 2023 onwards minus any withdrawals taken by Mr Z from the same date onwards, until the account was closed on 8 March 2023.

I think Mr Z has been denied the use of his funds and Plus500UK should pay interest to him for this. So, it should pay Mr Z 8% simple per annum on the total compensation payable to him, from the date his account should have been closed on 2 March 2023, to the date of settlement.

### **My final decision**

My final decision is that I uphold Mr Z's complaint. Plus500UK Ltd need to put things right, as I have described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 4 October 2024.

Mark Richardson  
**Ombudsman**