

The complaint

Mr C has complained that he wasn't able to place a guaranteed stop loss on one of his positions with IG Index Limited ('IG'). And as a result of that he says IG closed loss-making trade positions on his account because of insufficient margin call despite him adding margin of £17,000. IG closed the better of his positions. He has lost out because of this.

What happened

Mr C had a share dealing account and also traded contracts for difference ('CFDs') with IG. He says that on 6 September 2022 when he activated his account, he was informed by IG that for his CFD account he could place a guaranteed stop loss at any time. He tried to do this on 19 October 2023, but this was rejected on his SolarEdge Technologies Inc ('SolarEdge') position.

Mr C had several positions open that were running at a loss and was sent notification by IG to say positions would be closed if margin wasn't provided, so Mr C added £17,000 to his account.

Despite this, because of a fall in the price of SolarEdge, Mr C's account entered margin call and some of his positions were closed. Two positions remained open – SolarEdge and Insulet – which he considered were the worst two positions. He was told this was because the account was managed on a first in, first out basis. He was frustrated because he had added the necessary funds to prevent margin call. He raised his concerns to IG.

IG responded to his complaint on 22 December 2023. It said;

- Guaranteed stops could be added via its web trading platform or its mobile trading app but these couldn't be added or edited when the US market was closed. Mr C had tried to change his normal stop to a guaranteed stop outside of US market trading hours. Mr C had been advised about stop positions during a call with IG on 6 September 2022 and during that call it was never stated it was possible to add a guaranteed stop at any given time.
- It was a customer's responsibility to ensure account positions were appropriately always funded – cash balance to cover any running profit or loss, required margin on open positions and handling of the account. If the account balance fell below the required level, then IG could close all or any of the account bets on a first in first out basis. It provided the status of Mr C's account at the time the positions were closed. It had fallen below the 50% total margin requirement for Mr C's running positions and stood at 15% of the margin required.
- It said its customer service had fallen short after Mr C made contact via email many times without receiving any response. It apologised and offered £150 as a gesture of goodwill

Mr C wasn't happy with the outcome and brought his complaint to the Financial Ombudsman Service. Our investigator who considered the complaint didn't think that IG needed to do anything more. He said;

- Some of Mr C's positions were closed on 20 October 2023 as his account entered margin call because his trading account was below 50% of the margin requirement. At 14.32pm Mr C's account only had 15.44% of the total margin required.
- IG's customer agreement confirmed that IG could close any open bets if his account balance was less than 50% of the total initial margin requirement for his open bets. This is what had triggered the closing of his positions and was in line with the customer agreement.
- The margin call came about despite Mr C adding £17,000 to his account which dropped significantly in value because of US Jobless Claims figures announced which caused market gapping. IG provided screenshots of the closing and opening prices of SolarEdge which caused margin call. This was outside of IG's control.
- IG had explained its dealing desk/automated process for closing positions as per its policy for margin. And this was on a first in first out basis, so IG hadn't done anything wrong.
- For Mr C's attempted guaranteed stop losses, IG explained Mr C had tried to do this outside of US market trading hours and they were rejected due to the market being closed.

Mr C didn't agree with the outcome but didn't provide anything further. IG didn't have anything more to add.

As the complaint remains unresolved, it has been passed to me for a decision in my role as ombudsman.

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 conclusion as the investigator and broadly for the same reasons. I'll explain why.

Mr C says he had made every effort to prevent his losses by transferring funds but IG's decisions made the situation worse by closing trades which were in a far better position than his SolarEdge trade. He had acted in good faith but ended up losing £17,000.

IG's Customer Agreement – which Mr C agreed to when opening the account – details the terms around margin and margin requirements;

'...

15. MARGIN

...

- (4) Details of Margin amounts paid and owing by you are available by logging on to our Electronic Trading Services or by telephoning one of our employees. You acknowledge that:
- (a) it is your responsibility to be aware of, and further that you agree to pay, the Margin required at all times for all Transactions that you open with us;
 - (b) your obligation to pay Margin will exist whether or not we contact you regarding an outstanding Margin obligation; and

- (c) your failure to pay any Margin required in relation to your Transactions will be regarded as an Event of Default for the purposes of Term 17.

...

- (6) Where we have categorised you as a Retail Client and only to the extent required by Applicable Regulations, we may close or part close any open Transactions on your account if your Account Balance is equal to or less than 50% of the total Margin requirement for your open Transactions.'

Mr C was a retail client and IG had a regulatory obligation to close positions if the equity on the account – total capital deposited, plus or minus any profits or losses – was 50% or less than the total margin required. In this case that is what happened. At 14.32pm UK time – ie just after the US market opened on 20 October 2023 – Mr C's account only had 15% of the margin requirement. This included the additional deposit of £17,000;

Cash balance:	£146,415.51
Running loss:	£138,798.61
Account equity:	£7,616.90
Margin requirement:	<u>£49,329.24</u>
Amount due:	<u>£41,712.34</u>

The significant fall in account equity fell was because of the US Jobless Claims figures that were announced in the US. This caused the market to gap significantly, thereby reducing the account equity. As evidence of this IG provided screenshots to show the closing price of SolarEdge on 19 October 2023 at US\$113.9500 and the significant difference in the opening price on 20 October at US\$74.7650 when the underlying market had been closed and there hadn't been any trading activity.

So, while I appreciate that Mr C tried to add margin sufficient to increase his account equity to above 50%. But this failed because of the market volatility and gapping in the prices. That was outside of IG's control, but it did act within the terms of its agreement with Mr C by closing the positions. So, I can't make a finding that IG did anything wrong.

Mr C has complained that by closing some of his better positions he is in worse positions by being left with SolarEdge and Insulet which he considers were his worst stocks. But this was an execution only account, so IG wasn't in the position to make a judgement call on what were the better positions before carrying out those closures. And I think that is logical considering its automated systems and the swiftness in which markets and prices can change. So, I don't think it is unfair or unreasonable to have a system in place such as 'first in first out' when closing positions in order to increase account equity.

And with regard to closing positions IG's margin policy states;

'When closing trades our automated close process and/or the dealing desk follow a best endeavours First In First Out (FIFO) policy for closing trades. The FIFO method is date and time based, where we aim to close out positions starting with the oldest first. Exceptions may apply dependant on market conditions and other factors including on accounts with multiple positions that are held with or without stop orders, where we endeavour to use the following order for close out:

- Position with no stops
- Positions with non-guaranteed stops
- Positions with guaranteed stops
- Positions in illiquid markets or trading sessions'

So, I don't agree that IG has acted outside of its customer agreement or its margin policy with Mr C by selling the positions that it did. It follows that I don't agree that IG has done anything wrong.

Mr C has said he was quite new to CFD trading and at no point had he been advised that he couldn't place a stop loss outside of trading hours. And he says that during his call with IG on 6 September 2022 he was informed that he could add a guaranteed stop loss at any time.

I've listened to that call recording and the representative does explain about normal stops but further explained that stocks can gap – overnight as an example – and can go straight through a normal stop. This could be mitigated by using a guaranteed stop at a percentage cost of the value of the position. Mr C did ask if a normal stop could be changed to a guaranteed stop but there's nothing to support Mr C's comment he was told a guaranteed stop could be added at any time.

And in its response to Mr C's complaint IG provided a link to the 'help and support' section of its website about 'What is a guaranteed stop?'. That explained the following;

'Guaranteed stops

One way to ensure your stop is executed exactly where you specify is by placing a guaranteed stop. Guaranteed stops work in the same way as basic stops, except that they will **always be filled** at the level you set, even if prices move rapidly or gapping occurs.

...

Why am I unable to edit my guaranteed stop?

Generally, guaranteed stops can be edited after you add them. However, there are some scenarios in which you won't be able to edit your guaranteed stops:

1. The market is closed

When the market is closed, you can only move your guaranteed stop further away (increasing your guaranteed stop distance). You will not be able to move your guaranteed stop nearer.

2. An increase in the minimum guaranteed stop distance

During periods of increased or expected market volatility, we may increase the minimum guaranteed stop distance as compared to the initial guaranteed stop distance. In such situations you will have to adhere to the new guaranteed stop distance when amending your guaranteed stop.'

In Mr C's case after the US Jobless figures were announced in the US market on 19 October 2020 Mr C tried to change his normal stop on his SolarEdge position to a guaranteed stop at 00.39 on 19 October 2023 which was outside of US market trading hours. So, it couldn't be changed and because of the market gapping that occurred, his account equity was significantly reduced.

Overall, I don't uphold the complaint. Ultimately it was for Mr C to ensure he had sufficient equity on his account to keep his positions open. This didn't happen – primarily because of market gapping – but I don't agree that IG has done anything wrong in closing positions, or the order in which it closed those positions. And there's nothing to suggest that Mr C was told he could add a guaranteed stop at any time.

I empathise with Mr C position and no doubt he will be disappointed with the outcome to his complaint – it's clear he feels strongly about it, and I thank him for the time and effort he has spent in bringing it. And I appreciate Mr C was a relatively inexperienced investor and tried to act to protect his positions but CFDs are ultimately high-risk investments where prices and markets can move very quickly.

I note that in IG's final response to Mr C's complaint it offered £150 as a gesture of goodwill for not responding to his emails as it should have done. It was offered in settlement of the complaint, and I can't see that Mr C accepted it. I don't know if it is still available. However, if IG is still willing to make that offer, then it will be for Mr C to decide whether to accept it.

My final decision

For the reasons given, I don't uphold Mr C's complaint about IG Markets Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 3 January 2025.

Catherine Langley
Ombudsman