

The complaint

Mr W has complained that information given on IG Markets Limited's ('IG') webpage misled him regarding its procedure for short positions and delisted stock. He says he would like to be compensated for the costs he has incurred as he cannot close his position.

What happened

Mr W had a spread betting account with IG. He opened a short daily fund spread bet on a company I shall refer to as 'F' on 13 March 2020. The shares delisted three days later. In February 2022 Mr W asked IG to close his position at zero. That didn't happen and Mr W raised a complaint that was brought to this service, but which has been dealt with separately. Mr W raised a further complaint with his concerns about the misleading information given on IG's website about its procedures for short positions and delisted stock.

IG responded to Mr W not upholding his complaint. It said;

- Its standard procedure in dealing with open positions on a delisted stock was to close the delisted position at a price level of zero provided certain conditions prevailed.
- Those conditions depended on whether the customer held a long or short position.
- If the customer wanted to close a long/short position IG would still need to act on either the instruction of the customer who held the long position, or as per the announcement made by the delisted company for a customer in the case of a short position.
- While F was under Administration, the Administrator's latest report of 31 March 2023 indicated a continuation of finalising outstanding matters. So, the liquidation was still ongoing, and stakeholders needed to wait for a final report.
- Until a final outcome of the liquidation was announced, it couldn't close Mr W's £60 per point short position.
- It concluded by saying that Mr W hadn't been misinformed about how it dealt with short positions in delisted stock. It couldn't follow its standard procedure of closing at the price level of zero as Mr W held a short position on delisted stock.
- It wouldn't be refunding any overnight funding charges that applied to the position since the delisting of F, nor on any future overnight funding charges.

Mr W remained dissatisfied with the outcome and brought his complaint to the Financial Ombudsman Service. Our investigator who considered the complaint didn't think it should be upheld he said;

- He detailed the extract from IG's website that Mr W had referred to and while at the beginning it didn't specify what positions the procedures related to it was clarified in a later paragraph the process for a short position on a delisted stock.
- He was satisfied that where a customer held a short position IG would have to wait for the company to complete its delisting before it could complete its standard procedure. It also warned this could take several years.

- It was reasonable to conclude that once a delisting was completed IG would then be able to proceed in the usual way by closing the position at zero and opening a new position on what was referred to as a 'proceeds line'.

Mr W asked for his complaint to be decided by an ombudsman, so it has been passed to me. In his response Mr W also said that F had completed its delisting on 6 March 2024, but IG still hadn't closed his delisted position at a level of zero and opened a new position or 'proceeds line' on his account.

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.

Under the 'Help and support/Corporate action events' section of IG's website, 'What happens if the stock I am trading delists?' it says;

'...

Usually, the company would issue a press release through the investor relations section of their website to notify shareholders. After a stock has delisted, our corporate actions and risk departments would review the status of the stock and make any account adjustments if required. Each account type has different processes as below:

Spread bet and CFD accounts

The standard procedure is to close your delisted stock position at a level of zero and open a new position on your behalf called a 'proceeds line'. This new position would be untradeable and hold no value to your account. If the company confirms there is no return to shareholders, we would close your 'proceeds line' position at the level of zero. If proceeds are left over for shareholders, we would allocate these proceeds as applicable.

If you hold a long position, we can close the position upon your written consent via an email to [email address]. This would waive your right to potential future proceeds. If you hold a short position, we have to wait for the company to complete their delisting process before being able to remove the position.

Please note that it could take several years for a company to liquidate or complete the delisting process, which is out of our control.

If a stock has been delisted from the exchange but continues to trade OTC (over the counter), the stock's status would change to 'call to close'. This means the stock is now on phone dealing only and you would need to call our helpdesk if you wish to close the position. This is because IG does not offer stocks that only trade OTC.'

[My emphasis]

Mr W has said that IG has acknowledged that F was delisted and in administration but said that it wasn't in a position to close his short position until F completed its delisting process and liquidation. He says this contradicts what IG said in that it had to wait for F to complete

its delisting process or liquidate before it was able to remove the position. IG's claim that it would not be in a position to close Mr W's short position on F until such a time an announcement was made on the final outcome of the liquidation of F shows the information it provided on its website, and restated in correspondence, to be misleading.

While the above website information starts with the comment 'standard procedure is to close your delisted stock position at a level of zero and open a new position' but it later goes onto clarify what would happen in the case of a short position. And it also confirmed that liquidation or completion of the delisting process could take several years.

In this case the shares in F were delisted and that delisting has been followed by the appointment of an Administrator and which has moved into voluntary liquidation. Liquidation is the method used to realise a business' assets before closing it down and quite often is the result of insolvency but that's not always the case.

As part of that liquidation, it could become apparent there is a return to shareholders, but I accept in this case that is unlikely. As pointed out by Mr W, The Joint Administrator's Progress Report to 10 March 2023 said, 'Based on the information available it is not expected that there will be sufficient funds available to enable a distribution to shareholders.'

So, it seems most likely nothing will be returned to shareholders, but I don't consider it to be unfair or unreasonable for IG to wait for the final outcome of the delisting and liquidation to be announced before it can carry out its standard procedure of closing the delisted position. I'm satisfied the website makes that clear – 'If the company confirms there is no return to shareholders, we would close your 'proceeds line' position at the level of zero.' That hasn't been confirmed as yet.

That report concludes by saying 'The Administration will continue in order to finalise the following outstanding matters' which it goes onto list. So, I think it's clear the process hadn't been finalised and IG weren't in a position to proceed with its standard processes as per its website when a company completed its delisting process.

As such IG is still pending an announcement from F to confirm the administration is finalised before it can proceed with closing the position at zero and create a new 'proceeds line' position as outlined above. Mr W is of the opinion that F delisted on 29 July 2022 and provided a 'Market Notice' to evidence the 'Instrument Change'. But the subsequent administrator's report makes clear that there were still outstanding matters being dealt with.

That being said, this decision relates solely to Mr W's complaint that IG's website presented misleading information about what happens when a stock delists and IG's procedures when dealing with that. And I think the information given is clear in that it has to wait for the company to liquidate or complete the delisting before it is able to remove the position from client's accounts. And I think it also provides further warnings and clarification about that in that it can take several years for liquidation or for the company to complete the delisting process.

In conclusion, I don't find the information given on IG's website about what action would be taken post a delisting to be misleading. It follows that I don't agree that IG has treated Mr W unfairly or unreasonable in the provision of that information or that he was misled by it.

My final decision

For the reasons given, I don't uphold Mr W's complaint that the information given on IG Market Limited's website was misleading.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 6 December 2024.

Catherine Langley
Ombudsman