

The complaint

Mr M complains that IG Index Limited ('IG') failed to make clear the overnight fees it would charge him.

What happened

Mr M had a spread betting account with IG. On 10 November 2023 he opened a position on the Volatility Index (VIX). He held the position until 15 November 2023.

On 17 November 2023 Mr M complained to IG that he'd had to exit the position at a loss because IG applied overnight financing charges that were higher than the fees IG had said it would charge. Mr M said that based on IG's website he'd expected to be charged the Sterling Overnight Index Average (SONIA) plus 2.5% - because that was what IG said it charged for indices. But he said the actual fee IG charged was much higher. Mr M went on to say the following:

'Now you are probably going to point out that this isn't an index (despite being called an index) but is in fact a commodity

This is NOT an acceptable response

You need to provide information at the point of sale and NONE of the links provided at point of sale show any mention that this is regarded as a commodity

NO information is provided at the point of sale as to how the overnight financing is calculated'

IG replied with a screenshot which it said showed that the dealing ticket included indicative cost information. And it said its website explained how overnight funding costs were calculated for VIX under *'What is overnight funding, how is it charged and how is it calculated?'*

Mr M wrote again to IG saying the following:

'I can see that if you enter the trade size and direction the costs suddenly appear!!!

I was not aware of that

I would NOT normally enter the trade size and direction unless I was ready to enter a trade, because it is all too easy to accidentally click on enter!!!!

The link you have provided is all very well BUT....

The overnight charges for indices show an overnight cost of SONIA +2.5% x trade size x price / 365

THERE IS NOTHING TO MAKE CLEAR THAT THE VOLATILITY INDEX IS IN FACT TREATED AS A COMMODITY'

IG said it priced VIX contracts in a different way from the rest of its cash index markets. It said, *'Rather than aiming to replicate the underlying index price, we follow the method used to derive our undated commodity prices.'* It said this information was made available on its website under *'What is VIX and how do you trade it'*. And it said funding costs were also shown on the deal ticket after the direction, size and price had been entered.

Mr M wasn't satisfied and he complained formally to IG. In its final response to Mr M's complaint IG said it didn't think it had done anything wrong. In summary it explained how VIX positions were priced and it said the following:

- In calculating overnight charges IG treated VIX as a commodity, not an index.
- IG had given Mr M a screenshot showing the indicative overnight funding charge was provided on the deal ticket when the direction and bet size were entered.
- Although VIX wasn't a commodity, IG's website explained that its undated or cash VIX instrument was priced in the same way as commodities.
- Section 4 of IG's terms and conditions included links to the parts of IG's website that set out its costs and charges.

Mr M wasn't satisfied with IG's response. So he referred his complaint to this service. He said IG misled him by saying its overnight fee for indices was SONIA plus 2.5%. He said VIX incurred a much larger fee. He'd intended to hold his VIX position for the long term but had to close it at a loss due to the unexpectedly high overnight fees. He said he wouldn't have opened the position if he'd known what the overnight fees would be.

One of our Investigators looked into Mr M's complaint. He asked Mr M why he thought the overnight fee for VIX would be SONIA plus 2.5%. In reply Mr M provided a video which he said would answer that question. The video showed Mr M navigating through information on IG's trading platform. In the video he navigated to documents and pages titled *'Key information document – Spread Bet on an Index'* and *'What is overnight funding, how is it charged and how is it calculated?'* And he navigated to information that showed what overnight charges would be for a spread bet on a *'stock index'*.

The investigator also asked Mr M why he didn't open the *'indicative costs'* link which had appeared on the dealing page when Mr M entered the details of the deal he wanted to make. Mr M said he hadn't realised he could access costs information from that location. And he said the link didn't work until he'd entered the size and direction of the trade he wanted to make and was ready to enter the trade. He said he wouldn't enter size and direction until he was ready to place a trade. He also said the link wasn't prominent enough because it was just text that appeared in blue instead of black. Mr M said he gathered information about costs from elsewhere on IG's website, and that information had turned out to be wrong.

IG told our investigator its overnight fees for VIX had been calculated in two parts – an administrative fee of 3% and an *'adjustment'*. The adjustment was a change IG made to Mr M's position to negate a change in price that would happen overnight to its undated product due to the way the undated product was priced, rather than due to market movements. IG said it had acted fairly in charging the overnight fees it charged to Mr M, but to save time and expense it was prepared to refund the adjustment.

Mr M said he was insulted by IG's offer. He reiterated that his complaint was that IG hadn't made its fees clear to him. He said he'd previously been prepared to accept a refund of the loss he made on his trade, but he now wanted to add compensation for the time and stress involved in pursuing his complaint.

The investigator concluded IG hadn't done anything wrong. In summary he said the following:

- He'd seen no evidence IG had misled Mr M about the overnight fees it would charge. In particular he'd seen no evidence IG told him the charges would be SONIA +2.5%.
- In his video Mr M accessed the indices tab which confirmed the overnight charges for indices was '*Bet size *Price*(2.5%/admin fee+/-SONIA%)/365*'. But IG didn't treat VIX as an index. So the information Mr M accessed in the video didn't apply.
- IG's website included the following under '*What is overnight funding?*':

'... The Volatility Index and EU Volatility Index are priced in the same way as our undated commodities and are charged overnight funding in the same way too. Check the commodities tabs for details.'

- IG's commodities tab provided IG's formula for calculating the overnight charge. It also provided examples.
- Mr M thought VIX was subject to the overnight fees for indices. But that was his misunderstanding. It wouldn't be fair to penalize IG for that.
- Because IG was an execution-only service the onus was on Mr M to ensure he understood the terms of any position he opened, or to seek clarification if necessary.
- Before a customer placed a deal on IG's platform the customer was shown an illustration which included '*indicative costs*'. It broke down the costs that could potentially apply, including overnight fees. And it further broke down how overnight funding was calculated including the fact there were two parts to it, as explained on IG's website.
- Mr M said that link only worked when he'd entered the trade size and direction. But that was reasonable. IG couldn't provide indicative costs unless those details were provided. Giving that information wouldn't have committed Mr M to the trade.
- IG said the charges it applied were made up of IG's fee which amounted to £0.55 per night and a total of £2.74 over five days, and an adjustment of £-82.69.
- Although it hadn't upheld Mr M's complaint – and the investigator didn't think the complaint should be upheld – IG had offered to reimburse him £82.69 which was the amount of the adjustment.

Mr M didn't agree with the investigator's view. In summary he said the investigator understood how charges for VIX were calculated, but he'd had the benefit of hindsight and having IG tell him how the charges were calculated. Mr M behaved reasonably in the circumstances but drew the wrong conclusions because the information available to him was unclear and misleading.

Because no agreement could be reached, this complaint was passed to me to review afresh and make a decision.

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.

Having done so, I'm not upholding the complaint, for essentially the same reasons as those given by the investigator on this case. I'll explain why.

The purpose of this decision is to set out my findings on what's fair and reasonable, and explain my reasons for reaching those findings, not to offer a point-by-point response to every submission made by the parties to the complaint. And so, while I've considered all the submissions by both parties, I've focussed here on the points I believe to be key to my decision on what's fair and reasonable in the circumstances.

The key question here is whether IG's overnight charges were fairly and reasonably disclosed and therefore whether they were fairly applied to Mr M's account. Mr M says if the charges had been fairly and reasonably disclosed to him he wouldn't have opened his position on VIX and so he wouldn't have made the loss he made on that position.

I'm not persuaded IG misled Mr M about the fees it would charge.

When he opened his spread betting account with IG Mr M would've had to acknowledge to IG at the time that he'd read and understood its terms and conditions which formed IG's agreement with Mr M. I've seen that the terms and conditions included links to IG's website where costs and charges were set out, including overnight fees for VIX.

I understand Mr M expected the fee to be the one IG charged for holding positions on index funds. But IG's website – in the section that explained overnight fees – said its charge for VIX was calculated in the same way as its charges for commodities. I note IG's glossary entry for VIX also said overnight fees for VIX would be calculated as if VIX were a commodity, as did IG's page *'What is VIX and how do you trade it?'* Add to this the fact that IG's deal ticket gave an indication of overnight costs in line with its explanations elsewhere, and – taking everything into account – I'm satisfied the correct information was sufficiently clear and available to Mr M when he made his decision to trade VIX.

Mr M said he looked elsewhere on IG's website for information about costs and charges. And he formed an incorrect impression about how those costs and charges would be calculated. I've thought carefully about this, but I don't think IG is at fault for that. I think it provided enough information, prominently enough, that Mr M could reasonably have been expected to see how costs and charges for VIX would be applied. In particular it wasn't unreasonable for IG to expect a customer would check the likely fees to be paid at the time of placing the deal, if the information was made available at that point. I don't think there was so much information made available on the deal ticket that the information about costs failed to be prominent enough.

Mr M has disputed the usefulness of providing costs information on the deal ticket. He said he wouldn't input full information about the trade until he was ready to complete the trade. But I'm satisfied it was reasonable for IG to require the direction, size and price of the trade to be entered before it showed indicative fees and costs. IG couldn't calculate indicative fees and costs without that information. And – as I've said – I think it was reasonable to expect Mr M to read the figure provided by IG on the deal ticket to show the indicative fees and costs.

Overall, I can't conclude IG has treated Mr M unfairly or unreasonably in the circumstances of this complaint. So I'm not requiring IG to do anything.

My final decision

For the reasons I've set out above, my final decision is that I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 April 2025.

Lucinda Puls
Ombudsman