

## **The complaint**

Mr M has complained about the unusual trading that took place on his eToro (UK) Ltd ('eToro') account. He says that eToro hasn't been consistent in explaining what happened. As a result of the activity on Mr M's account his positions were closed and resulted in a loss of £31,000 which he would like repaid to him.

## **What happened**

Mr M said his trading account with eToro was compromised between 20 June 2024 and 5 August 2024. This resulted in unauthorised transactions and cash withdrawals, so Mr M raised a complaint with eToro.

Mr M received two separate responses from eToro but remained dissatisfied so brought his complaint to the Financial Ombudsman Service. Our investigator who considered the complaint didn't think it should be upheld. He detailed the evidence provided by eToro;

- The unauthorised logins, the Two Factor Authentication ('2FA') and attempted recall of the withdrawn funds. But as there was no evidence of a security breach eToro couldn't offer compensation.
- Only one device had been used during the period which was identified as the same as used by Mr M prior to the activity. 2FA had been used during the time, the codes requested were entered on four occasions and Mr M's phone number hadn't been updated or recorded as stolen.

The investigator outlined the circumstances under which he would expect eToro to reimburse Mr M, but these didn't apply. And there wasn't enough for him to conclude that eToro would have identified the instructions on the account as being suspicious. After Mr M raised the complaint eToro recognised him as being a vulnerable client so, in his best interests eToro closed the account in line with the regulator's obligations.

Mr M didn't agree with the outcome. He said eToro had turned off the 2FA for someone other than him. Mr M's comments didn't alter the investigator's opinion, so the complaint has been passed to me to decide in my role as ombudsman.

Mr M asked me to consider the following points;

- eToro had provided conflicting information about the 2FA which cast doubt on the security of the platform.
- eToro's failure to prevent unauthorised access and subsequent financial loss constituted a breach of its duty to protect client accounts.
- The emotional and financial hardship Mr M had endured was undeniable. The financial loss had placed a significant burden on him leading to feelings of hopelessness. He was at risk of becoming homeless.

## **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.

eToro gave Mr M conflicting information when it responded on 8 August 2024 to his initial concerns and then when it further addressed his complaint in its response of 26 August 2024. In particular, this related to the 2FA where it initially said 2FA wasn't enabled during the time of the alleged fraudulent activity. It said this misinformation came about because the first investigation focused on the security of the account and the second investigation was in relation to Mr M's request to treat his concerns as a complaint. Mr M feels very strongly about this misinformation. eToro said it appreciated this must have been frustrating for Mr M, but it didn't alter the outcome to the complaint.

But in giving evidence of its investigation into the complaint to this service eToro has provided a more thorough response which it told us had come about because of an assurance exercise to put right any conflicting information previously given.

### The security of the account

eToro told us there were no signs the account was hacked during the relevant period. Only one device was used – an Android phone – and the IP addresses used all related to the same sub-IP network. Mr M's phone wasn't updated during the period nor reported as being stolen. 2FA was enabled throughout – both before the relevant period and during it – and codes for 2FA were requested and entered on four occasions;

- Short message service ('SMS') on 28 June 2024 and 30 July 2024
- Mobile push notification twice on 5 August 2024.

As the 2FA codes were sent to Mr M's Android device, any hack could only have been carried out by someone who was in possession of both the device and access to Mr M's login details. As all the above information was consistent with Mr M and his activity prior to the relevant period, eToro has said there was no material reason for it to have concluded the account had been hacked. No security breach had occurred with eToro's systems.

eToro has provided this service with all the data to evidence its above findings. I'm not including that information in this decision for security reasons. But I am satisfied with the validity of the evidence and consider that it is reasonable for me to rely on what has been represented to me and particularly as it came about as the result of an assurance exercise which both corrected and/or confirmed the information previously given to Mr M.

### Transactions

Linked to his trading account with eToro, Mr M has an eToro Money Account. Just to be clear I'm not addressing any complaint Mr M may have about his eToro Money Account in this decision, but I will refer to the information provided as is relevant.

The cash transfers during the relevant period were done so using Mr M's eToro Money Account. This can be used by customers to deposit funds by linking a bank account to ensure speedy deposits and withdrawals. The only bank account linked to Mr M's eToro Money Account is Mr M's bank account. This is with a UK high street bank.

Any deposits or withdrawals to Mr M's eToro trading account via the eToro Money Account would have only been processed to and from Mr M's external bank account. The external account was the only account used to initially fund Mr M's eToro Money Account and then subsequently his eToro trading account.

Considering the overall circumstances of the complaint and taking all of above into account I find eToro's evidence compelling. I know Mr M feels strongly about the conflicting information he was given regarding the 2FA which he feels raises serious concerns about eToro's security and that it undermines eToro's claim that no breach occurred. But I am satisfied that the additional and consistent evidence provided as a result of the assurance exercise is evidence I can fairly and reasonably rely on.

eToro was only able to detect one device used for the account, an Android phone. This was the only device used and no other devices were linked to the account until 8 August 2024 – after the relevant period. And the suffixes of the IP addresses used during this period remained consistent. This is indicative that the account was being accessed by the same device and in the same general geographic location as when Mr M was accessing his account prior to the alleged hacking.

Any hacker would need to know Mr M's log in details and have had access to Mr M's Android phone. But Mr M never reported his device had been stolen so, as the account was only accessed via the Android phone during the period Mr M says he was hacked, I don't think it's unreasonable to conclude there wasn't any way in which a fraudster could use Mr M's device without it being stolen and having access to the log in details. There's no evidence this happened.

And I think it's unlikely that a fraudster would attempt to transfer funds to an account previously used by Mr M when crediting his account. I think it would be more likely that in hacking an account the user would transfer the funds elsewhere where they would be accessible to the fraudster. This would be unlikely behaviour for someone attempting to commit fraud.

For the trading activity between 20 June 2024 and 5 August 2024 I understand there were losses on account of approximately US\$40,000 of which US\$36,000 came about as a result of stop losses being triggered. I agree with what eToro has told us here in that it would be uncharacteristic behaviour of a hacker who would be more likely to close the positions manually – rather than relying on the stop loss to trigger the closure of the positions – and then withdraw any profitable proceeds.

I appreciate eToro, during the investigation of Mr M's concerns and then his subsequent complaint provided Mr M with conflicting information regarding the application of 2FA. eToro is aware of the frustration this caused but I am satisfied that the assurance exercise it has carried out is a thorough review of all of the circumstances that gave rise to the complaint.

And I haven't seen any evidence the transactions that were carried out on Mr M's account should have reasonably given eToro cause to carry out a critical examination of those transactions and potentially stop any further activity. So, there's no reason for me to go on to assess whether, in examining those transactions eToro, if acting fairly and in Mr M's best interests, would have concluded it shouldn't approve those transactions.

Taking all of the above into account, there's insufficient evidence for me to conclude that Mr M's account was hacked, and transactions fraudulently carried out. And I haven't seen anything to make me think eToro should have done more by vetting the transactions or go on to consider whether it fairly should have approved those transactions. It follows I don't uphold the complaint.

I appreciate this will come as a disappointment to Mr M. It's clear he feels very strongly about the complaint, and it has had a significant impact on him. But I hope I have been able to explain to Mr M how and why I have reached my decision.

I am extremely sorry that this has happened to Mr M. Clearly this has been a very difficult and upsetting time for him. I note the investigator provided some support resource details and contacts that Mr M can access if he needs or wants to.

### **My final decision**

For the reasons given, I don't uphold Mr M's complaint about eToro (UK) Ltd. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 7 March 2025.

Catherine Langley  
**Ombudsman**