

The complaint

Mr W has complained that IG Index Limited ('IG') didn't carry out appropriate due diligence in allowing him to open and trade on his spread betting account. Mr W incurred losses of over £700,000 and wants this returned to him along with interest and compensation for the stress incurred.

Mr W is represented in bringing his complaint but for ease of reading I will refer to 'Mr W' throughout my decision.

What happened

Mr W opened his spread betting account with IG in March 2020 and started trading in January 2021. In April 2024 Mr W made IG aware the impact the losses on account were having on him. As a result, IG closed the account and self-excluded Mr W.

In May 2024 Mr W made a complaint to IG. Amongst other points he said;

- he wasn't warned of the risks involved and even if he had been warned he wouldn't necessarily have understood them.
- He had failed the trading assessment several times.
- It should have been clear from his trading he had a gambling issue. IG failed to meet the Financial Conduct Authority's ('FCA') regulatory requirements.
- IG offered him unsuitable products and bearing in mind the high risk of the investment, IG should have sought more information about him. It failed to consider his capacity for loss nor his best interests.
- Numerous trades took place generating commission. It failed to identify, manage and mitigate potential conflicts of interest.

IG responded on 9 July 2024 not upholding the complaint. It said;

- It was Mr W's responsibility to manage his account and positions as per his customer agreement with IG.
- It had carried out an 'appropriateness' test and was entitled to rely on the information provided by Mr W.
- His trading frequency and losses were as a result of his trading decisions.
- As Mr W didn't have the necessary experience or qualifications in spreadbetting he was advised the account may not have been appropriate for him and he needed to read and agree to the Risk Disclosure Notice.
- IG's vulnerability policy wasn't enforced any earlier as Mr W didn't declare he was experiencing excessive losses or show signs of vulnerability.
- He didn't make IG aware of his vulnerability until 26 April 2024 and it immediately closed his account.

- It provided sufficient risk warnings about the high risk nature of leveraged trading.

Our investigator who considered the complaint didn't think IG needed to do anything more. He said;

- He was satisfied IG acted fairly in considering the spreadbetting account was appropriate for Mr W.
- IG acted fairly when it closed Mr W's account once it was aware of his vulnerability. And IG didn't have other information that would have made it aware of gambling addiction in relation to his account.

Mr W didn't agree. He said;

- IG should have conducted a more comprehensive review of his ability to manage the risk associated with spread betting beyond just a knowledge check when considering his lack of experience.
- IG should have considered other factors such as his psychological and emotional readiness for such trading.
- The amount of losses incurred raised concerns about whether IG adequately monitored his account for harmful behaviour and ongoing suitability.
- IG should have been more proactive in recognising and assessing potential vulnerabilities even if he didn't explicitly identify them and the losses incurred should have been a red flag.
- It should have been more supportive and intervened earlier and not just comply with minimum standards.

Mr W's response didn't change the investigator's opinion about the complaint. As it 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.

We provide an informal complaint handling service and this is reflected in the way I've approached the complaint. It's part of my role to identify and concentrate on the core issues I need to address in order to reach a fair outcome. This means I won't necessarily mention everything Mr W has brought to my attention and I've expressed some of his concerns in my own words. But I will comment on everything that makes a difference to the outcome of the complaint.

And as already referred to in the above summary, Mr W has complained that IG breached some of the FCA Principles. These have a wide application, and I have therefore considered all of Mr W's points with the Principles and rules in mind as a relevant consideration throughout my decision.

I'd like to take this opportunity to explain that I fully understand Mr W's strength of feeling about his complaint, and I sympathise with the financial impact his trading losses with IG have had on him and are likely still having on him. However, when looking at the circumstances surrounding Mr W's complaint, my role is to be impartial and consider what's fair and reasonable. This means taking into account IG's role, its obligations as set out by the Financial Conduct Authority ('FCA'), but also the nature of the service it offered which involve a high-risk form of trading.

The crux of this complaint revolves around Mr W's status as a vulnerable client because of his gambling addiction he has told us about and whether the losses he incurred were caused by IG inappropriately allowing him to open his sports spread betting account.

As mentioned, IG is regulated by the FCA which has rules that apply to spread betting businesses which offer trading in higher risk products, and who those businesses allow to trade. As part of those rules firms are required to obtain information about a client's knowledge and experience that allows it to assess whether a product or service is appropriate for the client – the appropriateness test. Under the rules, the Conduct of Business Sourcebook ('COBS'), COBS 10A.2.10 says that if a firm is satisfied that the client has the necessary experience and knowledge to understand the risks involved in relation to the product it offers, it can simply proceed without informing the client of this.

And for me to uphold this complaint, I must be persuaded that IG was aware, or should have been aware, of Mr W's vulnerability and failed to act upon this. So, I've reviewed the information Mr W was given when he opened the account as well as the information he provided to IG about his circumstances as part of the appropriateness test.

On three occasions – January 2022, 2023 and 2024 – Mr W recorded he had an annual income of £300,000. And his savings over the same period ranged from £375,000 in January 2022 to £15,000 in January 2024. When Mr W completed the appropriateness test he recorded he had traded less than ten times in shares and bonds, exchange traded derivatives or over the counter derivatives.

Mr W initially couldn't evidence he had sufficient knowledge or experience to open a spread betting account as he scored a low rating and wasn't able to open an account. IG advised Mr W that the account would not be appropriate for him, and he had to read and agree to a Risk Disclosure Notice.

After this IG continued to assess Mr W's knowledge and experience by having him complete an additional appropriateness quiz as part of the account opening process. Mr W failed on the second attempt in April 2020 but in October 2020 Mr W had a high success rating when taking the quiz for the third time. IG told us that it has an extensive bank of questions so that when taking the quiz more than once, a client won't be asked questions they had previously seen.

At the time the rules –COBS 10A.2.8G – allowed that a business may be satisfied that the client's knowledge alone was sufficient for them to understand the risks involved. I've thought about this carefully and with the exception of Mr W having to evidence his knowledge – which he later successfully did – there's nothing in Mr W's responses to the appropriateness test to indicate his answers were out of date, inaccurate or incomplete. And I've borne in mind IG is an online only broker providing an execution only service. So, I don't think IG was unreasonable or unfair in accepting Mr W's answers at face value and in good faith.

And the rules allow IG to rely on information given by a customer;

'Reliance on information

COBS 10.2.4R03/01/2018RP

A firm is entitled to rely on the information provided by a client unless it is aware that the information is manifestly out of date, inaccurate or incomplete.'

So, I don't think IG did anything wrong in allowing Mr W to open a spread betting account.

And I'm satisfied IG consistently provided risk warnings about spread betting trading both on account opening via the Risk Disclosure Notice and on every communication it had with Mr W as well as appearing on all of its web pages.

Given that Mr W was given the risk warnings and proceeded with the account, despite being told by IG the account may not be suitable for him and having to take the knowledge and experience test an additional two times, suggests he was intent on opening the account and there's no reason to suggest he didn't understand the risks involved. With this in mind, it would be difficult for me to see why IG should have prevented Mr W from opening the account, so overall, I don't think it needed to do anything differently.

I'm not persuaded that IG is responsible for Mr W's losses. Mr W asserts those losses came about as he shouldn't have been able to open the account because of his gambling problem. But I'm satisfied IG wasn't aware of this and Mr W's financial circumstances – his income and savings – during the account opening stage and subsequent betting behaviour wouldn't have given IG any cause for concern. Once it was aware it closed Mr W's account and permanently self excluded him.

As stated above, for me to uphold this complaint, I must be persuaded that IG was made aware of Mr R's gambling problem and failed to act upon it. Mr W didn't express his concerns until April 2024, and I can't see there was any reason for IG to have considered Mr W to have been vulnerable prior to that. His trading losses alone wouldn't necessarily identify vulnerability, and his losses didn't exceed his income and savings.

In the absence of such evidence, I can't say IG did anything wrong in allowing Mr W to open his spread betting account and to continue trading on the account. And I can't agree that his subsequent betting patterns would have given cause for concern earlier than when IG took action after being made aware of the impact the trading losses were having on him. It follows that I don't uphold Mr W's complaint.

I appreciate that Mr W will be disappointed with the outcome of his complaint. It's clear he understandably feels strongly about it and I'm sorry for the position he is in. But I hope I have been able to explain how and why I have reached the decision that I have.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 16 October 2025.

Catherine Langley
Ombudsman