

The complaint

Mr T complains that Interactive Brokers (U.K.) Limited (“IBUK”) didn’t tell him about restrictions applied to his share dealing account.

What happened

On 12 July 2024, Mr T placed an online trade in his account with IBUK to buy UK Government bonds (“Gilts”), but the trade didn’t go through, and he received a short message saying it had been blocked due to sanctions. Mr T had placed a similar trade a few days before on 8 July, which had been successful, and he hadn’t previously been told about any sanctions applied to his account, so he got in touch with IBUK. IBUK explained that Article 5f of Council Regulation (EU) No 833/2014 meant they were prohibited from selling certain international securities and any denominated in a currency of an EU member state, and funds containing those securities, to Mr T.

IBUK said they’d restricted Mr T’s account because he was a Russian national, and the sanction applied to Russian nationals who are not also residents or citizens of an EU member state. Mr T complained, in summary saying the restriction amounted to discrimination on the basis of nationality under the Equality Act 2010. IBUK didn’t uphold the complaint, explaining that the trade on 8 July shouldn’t have been allowed to go through, but it did due to an oversight. They explained that their liquidity provider for the particular asset is subject to the EU sanctions and that IBUK are obliged to apply the EU sanction to Mr T as a result. IBUK added that they had informed customers of restrictions via announcements on their website.

Mr T remained unhappy and brought his complaint to our service – in summary he told us:

- He’s a dual citizen of UK and Russia and there’s no sanctions prohibiting UK citizens from purchasing Gilts from UK share dealing firms.
- The EU Commission has clarified that EU sanctions have no extraterritorial effect.
- Gilts are sterling-denominated, issued by HM Treasury and listed on the London Stock Exchange. The order submitted via IBUK to purchase Gilts has no remit to the EU financial institutions and can be fully executed within UK jurisdiction. IBUK don’t have to use the particular liquidity provider and are doing so by choice.
- IBUK’s interpretation of the EU sanction goes further than the sanction itself and is explicitly discriminatory – for instance they prohibit dealing in all instruments with any connection to the EU, rather than just newly issued instruments.
- He’d lost around £1,000 by mid-August due to not being able to place this trade.
- He had a share dealing account with another company in which he had traded Gilts at various times throughout 2024.

An investigator at our service dealt with the concerns about the application of the EU sanction itself under a separate complaint. Under this complaint, the investigator upheld the concerns about the lack of communication from IBUK prior to 12 July 2024, which meant Mr T wasn’t aware of the restrictions applied to his account. He recommended that IBUK pay Mr T £350 in recognition of the loss of opportunity and the impact of suddenly discovering the restrictions on 12 July 2024.

Mr T didn't agree, in summary because he was unhappy the investigator hadn't upheld the rest of his complaint and was only awarding redress for this part of it. He strongly feels that IBUK have restricted his ability to trade beyond the remit of the sanction. IBUK said they were willing to accept the recommendation of £350.

As Mr T remained unhappy, the complaint has been passed to me for a decision. For clarity, this decision only concerns the communication by IBUK about the restrictions they imposed on Mr T's account. Mr T's concerns about IBUK's application of restrictions and their interpretation of the EU sanction is the subject of a different 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 agree with the conclusion reached by the investigator for largely the same reasons. The main question I must consider here is whether IBUK gave Mr T clear fair and not misleading information about his account, so he could make informed decisions.

IBUK has said they didn't send Mr T any direct communication about the restrictions prior to 12 July 2024, to explain how he would personally be impacted. They've said from February 2022 they began publishing articles on their website and had updated their frequently asked questions ("FAQs") to explain the impact of the EU sanctions and how their services would change as a result.

Having reviewed the FAQs, I'm not convinced they'd have given Mr T enough information to make reasonably informed decisions about his investments, even if he had been directed towards them by IBUK. The restrictions on types of asset that could be traded aren't fully described in the FAQs – so they wouldn't have made Mr T aware that he couldn't trade Gilts for instance, due to IBUK's chosen liquidity provider. The FAQ says that Russian customers would be restricted from:

"opening new positions or increasing existing positions (long or short) in any financial instrument in European exchanges, any financial instrument denominated in an EU currency, traded on any exchange, and any financial instrument that would be custodied at an EU Central Securities Depository."

They didn't explain the location or jurisdiction of their liquidity providers for different assets so this wouldn't have made Mr T aware of the types of assets he could continue to buy via IBUK. Regardless, IBUK didn't in any way direct Mr T to read the FAQs, or otherwise make him aware of any restrictions, until the trade on 12 July 2024.

The restriction IBUK applied was not a small amendment – it materially changed the type of assets Mr T could buy in his account compared to previously. I'm surprised IBUK didn't tell Mr T directly about the way they were applying restrictions following the EU sanctions being in place. This is particularly because of the impact of the change and their obligations under regulations, including the Financial Conduct Authority's high-level Principles that set out that firms should have regard to their customer's information needs and interests. If they had told him, it would have at least put Mr T on notice of the type of trading he could carry out on their platform and what he'd need to arrange elsewhere.

By not telling Mr T directly that his account had been restricted, I'm satisfied IBUK hasn't treated him fairly and reasonably. I've considered the impact of this, and I can see Mr T is claiming for the losses he incurred as a result of not being able to place the trade with IBUK.

He's said that he hadn't placed the trade with his other broker, because he was waiting for a resolution to his complaint.

If IBUK had told him when they first applied restrictions following the EU sanctions being in force, Mr T could have arranged to place the trade elsewhere in advance. However, I'm also conscious that he could have bought Gilts via his other broker, immediately after being told by IBUK that the trade was rejected. So, I'm not convinced it would be fair and reasonable for IBUK to be held responsible for the financial loss Mr T has claimed for, as he could have mitigated this.

However, I am convinced IBUK caused avoidable distress and inconvenience to Mr T by not explaining to him in a timely way that his account had been restricted. IBUK prevented Mr T from being able to make informed decisions and being able to effectively plan his investments. They caused additional confusion by only telling him on 12 July 2024 and not prior to the successful trade on 8 July, which gave him false impression about what IBUK would allow him to do. Having considered everything, I'm satisfied an award of £350 is fair and reasonable to put this right.

My final decision

I uphold this complaint. To put things right, Interactive Brokers (U.K.) Limited should pay Mr T £350 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 21 February 2025.

Katie Haywood
Ombudsman