DRN-5342000

The complaint

Ms S complains that eToro (UK) Ltd allowed her to open trades on its platform with higher amounts of leverage than she realised or wanted. She says this exposed her to risk she didn't want to take, and caused her to suffer larger losses than she otherwise would have.

What happened

Ms S had a trading account with eToro, in which she'd largely bought and sold individual shares and cryptocurrencies. In December 2024 she opened a long position in a US stock market index ("the S&P position"). Shortly afterwards, Ms S discovered the S&P position was a CFD which had opened with 20x leverage – in other words the nominal size of her position was 20 times greater than the amount of cash allocated to that trade.

Ms S complained, and said she hadn't intended to trade with leverage and expose herself to the additional risk that entailed. She didn't think it was right that eToro made some products default to high levels of leverage, and didn't think it made that sufficiently clear.

eToro didn't uphold her complaint. It said the amount of leverage was displayed on the screen when Ms S placed her trade, and it didn't think any errors had occurred.

Ms S brought her complaint to our service where it was considered by one of our investigators. He wasn't persuaded Ms S's trade had been executed in error – he thought eToro had placed the trade Ms S asked for. He thought Ms S had demonstrated she understood the concept of leverage and had traded using leverage before the S&P position was opened.

The investigator considered that CFD positions were generally leveraged and that it would have been reasonable for customers such as Ms S to expect a CFD trade to be leveraged. He noted that, regardless of the default level of exposure, eToro's order entry page offered a clear option to adjust the amount of leverage (down to an unlevered 1x) in order for Ms S to place trades with the level of risk she was most comfortable with.

Overall he didn't think eToro had treated Ms S unfairly and so didn't think it needed to pay her any compensation. Ms S didn't agree and asked for an ombudsman to consider the matter. She said that normal, unsophisticated traders such as herself wouldn't expect trades to be leveraged by default and by offering its services in this way eToro failed to adequately protect her from risk she didn't want. She said the order entry screen was "busy" and that she wouldn't have expected an index trade to involve a different level of leverage or risk than trading in individual shares.

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've reached the same conclusions as our investigator and for broadly the same reasons. I'll explain why.

In considering this complaint I've had regard for the terms of Ms S's account with eToro, and the information it provided to her. I've also taken into account eToro's wider regulatory obligations, in particular that in line with COBS 2.1.1R in the regulator's handbook it needed to act honestly, fairly and professionally in accordance with the best interests of its client. And that it needed to ensure its communications with Ms S were fair, clear and not misleading (COBS 4.2.1R).

When Ms S opened her eToro account, she needed to agree that she'd read the account terms and eToro's risk disclosure notice. I've seen eToro's customer information screen which records she confirmed she'd read and agreed to these documents, and so on balance I'm persuaded she did.

Clause 2 of eToro's account terms explain the services it will offer. It says eToro will offer a digital trading platform where an investor can trade CFDs, invest in securities, and trade cryptoassets. It says investors should read the different schedules to the terms relevant to the services (and instruments) they wish to use.

Schedule A to the terms deals with CFD trading. This schedule says at clause 2.3 that *"We allow you to trade CFDs using leverage. Trading with leverage means you can make money quickly, but you can also lose money quickly. You can find out more about what leverage is, the risks of trading CFDs, and the risks of leverage in paragraph 4 – "The key risks of CFD trading", paragraph 7 – "using leverage and margin", the General Risk Disclosure, and on our website"*.

The General Risk Disclosure opens with a paragraph in bold which notes that *"eToro provides a wide range of investment services in relation to a number of products"*.

The document goes on to set out risks particular to trading CFDs with eToro, which amongst other things says *"When trading CFDs, you generally trade on margin, which means you only have to deposit a small percentage of the overall value of your position. This is known as "Leverage", and even small market movements may have great impact"*.

Taking all this into account I think Ms S ought reasonably to have understood that when trading with eToro she'd have the ability to use a range of different products and instruments. And that these included CFDs, which would involve the use of leverage.

Ms S hasn't really disputed that she understood the concept of leverage – her complaint has been more that she didn't understand or agree that some trades would default to high leverage and that this wasn't clear when opening her trades. I think this is really the crux of the matter – that Ms S wasn't clear when she was trading a CFD rather than other securities.

Before moving on I'd note that, like our investigator, I don't think it was unfair or unreasonable for eToro to offer CFDs where the default position was to enter trades with leverage. The risk notice above specifies that CFDs would *"generally"* involve margined and leveraged trading – suggesting that was indeed the default position. And I'm satisfied that the terms and information eToro provided about CFDs indicated that leverage was one of the key features (and risks) of CFD trading using its platform. While there are regulatory restrictions on the *amount* of leverage firms can offer to retail clients like Ms S, I see no basis to conclude it wasn't fair for eToro to offer CFDs with a default leverage within those bands. And for clarity, I'm satisfied 20x leverage for a CFD linked to the US stock market index was compliant with these requirements.

As eToro offers a range of products, I accept that Ms S would have been able to browse through different tradeable securities some of which were to invest in real stocks, and some of which were CFDs linked to either individual stocks, indices, or commodities and other instruments.

Ms S has provided screenshots of the trade confirmation screen that would appear before she'd place a trade. While there is a range of information on the screen, I don't agree it is too "busy" or that key information is hidden.

Below the amount to be invested is a line showing the exposure the trade would produce – in one example Ms S sent of an oil trade the invested amount shows $1,000 and the exposure $10,000. Below that are three large boxes – giving levels for a stop loss, take profit, and the amount of leverage (in the oil example this was 10x).

Below that is the name of the product – here next to the name of the stock or commodity it's clearly indicated in a shaded box that the product is a CFD.

I think that this information was fair, clear and not misleading. I think before confirming a trade Ms S was informed clearly on the screen that what she was buying was a CFD and that it involved leverage (and how much that leverage was). While I can understand that in trying to trade quickly Ms S might not have taken in all that information, that isn't something I can fairly hold eToro responsible for.

In summary – I think eToro made it reasonably clear to Ms S that its offering included the ability to trade CFDs, and that these instruments would generally be traded using leverage. I think eToro gave Ms S enough clear information before trading to understand whether what she was buying was a real asset or a CFD, and the amount of leverage it would involve. It follows that I don't think it would be fair or reasonable to hold eToro responsible for Ms S entering into a trade in an instrument she didn't intend to, or with leverage she didn't want, or any financial consequences of that.

My final decision

For the reasons I've given I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 21 March 2025.

Luke Gordon
Ombudsman