

The complaint

Mr B complains that Spreadex Limited (Spreadex) allowed him to open a spread bet which exposed him to a disproportionate level of risk for the balance he held.

What happened

Mr B has a spread betting account with Spreadex opened on 15 February 2023 which allows him to place spread bets on various sporting events.

After several months of using this account, on 2 July 2023 he opened a position on an Australian Rules Football match. This speculated that the total points scored in the first two quarters of the game multiplied against the total points scored in the last two quarters of the game would be greater than 3,209, which Spreadex calls a 'Multi-Points' position. He staked £5 per point of movement against that figure.

The match concluded with a Multi-Points total of 1,696 against Mr B's position of 3,209. At £5 per point against a difference of those two values of 1,513 meant that Mr B incurred a loss of £7,565.00.

Mr B didn't think Spreadex acted fairly by accepting his bet from the outset and complained to the firm. In summary he said:

- The potential loss on the position was disproportionately high to open the position when he only had an account balance of £72.
- Other similar positions he'd tried to open on other sports had been rejected before, and the same should've happened here.
- When he asked the firm about why it allowed this bet it didn't answer his questions.
- He had previously told the firm he didn't want any credit on his account.
- The firm had threatened him with legal action and has since added interest to the amount it says remains due.

Spreadex considered his complaint but didn't agree it should be upheld. It said this was because:

- The account was appropriate for him when it started providing spread betting services to Mr B.
- It's terms are clear that he can lose more than his balance and as this type of spread betting isn't covered by MiFID II it isn't obligated to close them without Mr B's instruction.
- Mr B had regularly used the account and so was aware of the risks involved, and had provided warnings and notices about the high levels of risk involved to him.
- It was Mr B's responsibility to monitor the positions on the account and his balances.
- It had provided him with a stake warning the previous day which he proceeded to place regardless.
- It had shown him in total ten stake warnings, which only two were heeded.
- The firm was entitled to apply interest, which its terms and conditions allow it to do on

owed balances.

- It had made an offer to resolve the matter – payment of £5,000 within 14 days – but Mr B didn't accept those terms.

As Mr B didn't feel Spreadex fairly answered his complaint he asked our service to look into what happened. One of our Investigators considered his complaint and also didn't think it should be upheld. In setting out her reasons our Investigator said this was because:

- She thought the account was appropriate for him.
- The stake he placed was within the firm's accepted tolerances for it.
- Even if it warned him about his stake, it was likely he would've proceeded regardless given that happened the day before.
- The service being provided was execution-only and so the betting choices Mr B made were his own.
- The terms and conditions allow the application of interest for overdue payments and had been fairly applied here.

Mr B didn't agree. In response to our Investigator's findings, he said:

- It was a general rule that he needed to be able to cover the spread with his account balance.
- He thought that amount based on a typical spread in the market his position was made on would be worth about £950.
- He had been stopped on similar bets before due to a lack of account balance.

As an agreement wasn't reached, the complaint was passed to me to decide.

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.

And having done so, I've not seen to uphold Mr B's complaint. I know that won't be the outcome he was hoping for or expecting, and in explaining this below I'd like to assure him I understand his position and strength of feeling. But for me to direct Spreadex to settle this matter I need to see that it fell below the standards expected of it, and that such a failing caused him a detriment. Which I haven't seen to be the case here. I'll explain why.

Mr B was trading spread bets based on sporting events and not a financial instrument – such as shares, indices and commodities. This is important here because only spread bets based on financial instruments benefit from the new rules introduced in 2018 which provide some additional protections when trading those spread bets. This means those new rules, which includes negative balance protection and close outs, don't apply to the position Mr B placed.

When considering whether Spreadex treated Mr B fairly I've first considered whether the account was appropriate for Mr B under COBS 10 of the FCA Handbook. In summary those rules require that Spreadex was satisfied Mr B had the necessary knowledge and/or experience to understand the risks involved. Looking at the information Mr B provided the firm with on account opening, he acknowledged he understood the risks, the extent of losses and had previous spread betting experience. Given that and his usage of the account, I think it's likely Spreadex reasonably concluded Mr B was someone it should allow to use its spread betting services.

Turning to the spread bet position Mr B has complained about, an important document to refer to is the terms and conditions between himself and Spreadex. This is because it forms a contract between the parties and sets out the obligations between them.

This document sets out at 13(2) that Spreadex only provides its services on a non-advised execution-only basis. This means Mr B is responsible for the instructions he places and decisions behind them. Spreadex will in its role execute those instructions as given by Mr B but would be obligated to do so on a best-execution only basis as the relevant rules require. It also includes at 17(1) a condition that it has a right to refuse a request to open a position.

Spreadex does have a mechanism which provides a level of protection when entering positions and at times will use those to warn or refuse the placement of one. Although from my understanding of how these interventions work with the evidence available, these relate to its own discretion in how it manages its risk tolerances and the positions it will and won't accept based on that, rather than them being intended to intervene with a customer's decision to place a particular position. As I mentioned before the firm isn't required to intervene in decisions to open a position, it simply isn't obligated under the rules to do so.

One of the mechanisms Spreadex uses in some circumstances is a "stake warning". Around ten of these warnings had been presented to Mr B since he opened the account, including the day before placing the position complained of on a similarly volatile position. Two of those ten warnings caused Mr B to decide to not proceed at the originally selected stake. From reviewing the sample of what this warning looks like, I'm satisfied this warning would've been clear and required Mr B to re-enter his stake should he despite the warning decide to place the position. Given Mr B tended to place the position on warned positions so even if I were to say that Spreadex ought to have intervened again when Mr B placed this position, which I've not seen it was obligated to do, I think it's likely in any event he would've continued with the position given his tendency and trading experience in 'Multi-Point' positions. Mr B had enough information about the risks and experience in that market to have, in my view, understood the risks he was taking and made an informed choice to take that.

Another mechanism, which Mr B has referred to himself, is rejection of the order. Mr B has encountered these before on 377 occasions which is why he feels Spreadex ought to have rejected the position he complains of. Each of those rejections related to insufficient funds to open the position and citing the amount of money to add to the account to be able to do so. However the difference here is that Spreadex considered the £72.31 on account to be sufficient to open the position and was within its risk tolerances.

This is because it thought based on the £5 stake and the position Mr B was placing that an average loss would be £682.50 to Mr B once it settled. Taking into account his account balance this led to an amount being required to place the bet as £677.69. But the position is being opened with leverage and Spreadex will generally open a position so long as the second figure I've given here is lower than the first. Essentially, because it is within Spreadex's risk tolerance to allow the position to go ahead and the allowance of opening positions with leverage on these accounts. The available balance within Mr B's account was sufficient for Spreadex to open the position on that basis.

Spreadex has provided two other scenarios on this position which demonstrates the crossover point of the position being rejected based on Mr B's balance to be a stake of £5.36. In that scenario this is because the amount to open the position exceeds this bet value, £731.69 to £731.64. I'm satisfied this explains why Mr B's position was accepted, and what it would've taken to cause it to be rejected. Based on the average expected loss, the amount on account was more than 10% of this, which wouldn't be unusual for a leveraged derivative.

Mr B's actual loss was however much more significant than what Spreadex predicted. But, Mr B was opening this position on leverage, which means the amount required to open a position will be much smaller than the overall risk exposure. This is especially so in circumstances such as the market Mr B was trading on where the multiples involved can lead to a very wide variation in the closing result. There can then be a drastically different outcomes depending on the results of the match, which given the leverage involved could have a significant magnification effect on his losses, as well as his gains as he'd experienced before. Mr B's speculation on the result wasn't an outlier of a potential result and the cause of the magnification of the loss is the volatility of the market causing the closing point to diverge significantly from his prediction, rather than say Spreadex allowing him to place a deeply unrealistic bet.

I'm satisfied Spreadex set out the risks involved here clearly to Mr B. Its website includes information about the risks as do the risk warnings within the terms. I'm also satisfied from Mr B's usage of the account he understood the risks involved and had won and lost varying amounts on the 'Multi-Points' market and similar markets where the result is based on multiplication of various factors, demonstrating he understood those risks.

On negative account balances, the terms explain at 11(2) that negative balances can be incurred regardless of whether any credit facility in place, and that there is no limit on the level of loss that can be incurred. While I understand Mr B's point that he hadn't asked Spreadex for a credit facility, there wasn't one in place here and that isn't what caused a negative balance, they can occur whether trading on credit or not. Any negative amounts under the terms would be due to the firm, which at 29(1) says are required to be settled immediately. And in the event it isn't then 20(2) provides a mechanism for it to charge interest at 1% per month, which it explains at 16(4). As the balance wasn't paid to Spreadex it hasn't in my view unfairly applied its terms around adding interest where that amount was unpaid and stemmed from a position Mr B placed which Spreadex fairly accepted.

I would also reiterate here that the type of position Mr B placed doesn't benefit from negative balance protection, which 13(2)(d) of the terms also explains. This means there was no obligation to write off any negative balances or apply any automatic close outs to his position, because his position isn't based on a financial instrument as I've explained above.

Turning to Mr B's comments about the firm not responding to his questions about why his stake was accepted, I've not been provided with the response the firm gave to Mr B. But as I've mentioned above, it was fairly within Spreadex's discretion whether to accept that or not. I appreciate Mr B wanted to know more why that happened and it isn't clear what Spreadex told him. But I've taken into account our subsequent explanations weren't satisfactory for him either. So even if Spreadex hadn't clearly explained this, I think it's likely he still would've remained dissatisfied with the answer given he disagreed with the explanation our Investigator passed onto him from the firm.

On the recovery letters for the amount owed, it isn't unusual for letters like that to be sternly written or to set out the risks of court action. As my findings are that Spreadex hasn't treated Mr B unfairly in how he incurred that loss, based on Mr B's recollections of those communications, I can't say it would've treated him unfairly from how he recollects the content of those letters.

It follows then I've not seen evidence that Mr B was treated unfairly by Spreadex. The discretion was with it whether to accept the position and I'm satisfied from its explanation that it wasn't acting unfairly by doing so. As that position was fairly opened by Spreadex under the terms it isn't acting unfairly by asking Mr B to repay that balance, or later adding interest in the way it has.

I understand my decision will be disappointing and much of it references the terms and conditions of the account, which may be received as frustrating to Mr B. But they are contract between him and Spreadex and so a key consideration in an arrangement like this, where there are limited rules to apply to his particular situation. I would add here just because a firm says something in its terms doesn't mean it would've automatically applied them fairly. I've considered that here and not seen the way it applied its terms to Mr B's situation was unfair.

It follows then given the above I've not seen on balance evidence that Mr B has been unfairly treated by Spreadex.

My final decision

I don't uphold this complaint for the reasons explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 August 2025.

Ken Roberts
Ombudsman