

The complaint

Mr M complains that Plus500UK Ltd failed to support him appropriately once he'd disclosed a vulnerability. He says it told him it would close his account, but let him continue adding funds to support his positions. It then forcibly closed his trades for a loss. He also complains that Plus500 let him trade using money from his company bank account.

What happened

In January 2024 Plus500 wrote to Mr M to say it noticed he was operating two trading accounts. It said it only let people use one account, and asked him to choose which he wanted to continue with. Mr M said he'd keep using the account he'd opened more recently, which held open positions in CFDs linked to the price of Natural Gas.

Mr M then said he thought his previous account had been closed. He said he'd closed it as he'd experienced gambling related harm and had asked to self exclude. He went on to say he didn't think Plus500 should have let him open a second account. He said he'd had to *"sell a lot of stuff and borrow money"*.

Plus500 told Mr M it would look into things. He then told it that the money he put into his trading account was from his limited company's business account, for which he was using the overdraft facility.

On 23 January 2024 Plus500 wrote to Mr M again. It said under the terms of his agreement it was his responsibility to ensure he complied with the rules of the account, including that he only fund his trading from his personal accounts, and not from third parties. It said it had never been made aware of Mr M's issues with gambling, or any financial hardship resulting from that, before. But it said in light of the information Mr M had disclosed, it didn't think it was appropriate for it to continue offering trading services to him. It said it was invoking another clause of the terms of the account to give Mr M 14 days' notice that it was going to close his account. It said he couldn't open any new trades, but could manage open positions and deposit and withdraw from his account. It said after 14 days it would close any remaining positions, return any funds left in the account and close it.

Mr M wasn't happy, and complained. He said Plus500 ought to have known where his money was coming from because he'd sent it a picture of the debit card he'd used to fund the account, and it had *"business account"* printed on it. He said Plus500 had turned a blind eye, knowing he was vulnerable, in order to profit from him.

Plus500 didn't uphold Mr M's complaint, and said it thought its actions had been fair for the reasons it set out in its 23 January email. While his complaint was ongoing Mr M and Plus500 engaged in further dialogue about his remaining open positions. He'd said he wanted to keep his trades open longer than 14 days, because they were running at a loss but he thought they'd turn in his favour.

Plus500 agreed to extend the time Mr M had to close his trades before it would do so for him. It gave him until 20 February 2024. When it did so it said:

"I would like to ask you first to confirm that you understand and agree to the potential risks that keeping your positions open for a longer time entails. Kindly bear in mind that you may well end up incurring further losses as a result of your decision, as there is no guarantee that the rates will move in a favourable [manner for you]."

Mr M responded saying *"I can confirm I understand the potential risk of this trade that I have open"*.

Later Mr M asked for yet more time – because his position was still running at a loss. He said *"I just want the open position to be extended till I can afford to close it"*. He asked to extend the time before his account would close by a month and said *"I will keep enough funds to [manage] it"*.

Plus500 said it wouldn't extend the time before it closed Mr M's account any further. On 18 February 2024 (two days before his account was due to close) Mr M's account fell into margin deficit, and his positions were closed. Mr M added to his complaint that Plus500 shouldn't have let him keep adding money to his account after it said it would close it, particularly if it was then going to close his positions anyway before they'd had a chance to recover and reduce his losses.

One of our investigators looked into Mr M's complaint. He said he understood that Plus500 had tried to be flexible with Mr M, which is why it had allowed him more time to manage his position. But he thought Plus500 should have done more to protect Mr M from suffering further losses. He thought on balance that Plus500 ought to have given more weight to the fact Mr M couldn't afford to suffer any further losses, and that suffering those losses would lead to severe financial detriment. He thought that in January 2024 when Mr M disclosed his gambling issues and the fact he'd been borrowing money to trade with, it ought to have closed his open positions immediately and stopped him trading any further.

The investigator said Plus500 should refund any losses Mr M suffered after 22 January 2024, along with interest. He also thought it should pay him £500 for the trouble he'd been caused.

Mr M agreed with the investigator, but Plus500 didn't. It said it couldn't have closed Mr M's account immediately without breaching the terms of its agreement with him. It said Mr M had wanted to hold his positions still longer than Plus500 had allowed – it said it had thought about the impact of letting him continue to hold the position in deciding how long to give Mr M before it closed his trades. It said it wasn't for Plus500 to form a view on whether or when Mr M's positions might recover their losses, and it had tried to be flexible and balance Mr M's requests with its responsibility to have regard for a vulnerable customer's best interests. It said it's only possible to say that closing his trades earlier would have been better with the benefit of hindsight.

I issued a provisional decision on the matter. I said:

The heart of this complaint concerns the decision Plus500 made to close Mr M's account, and how it managed the period between that decision and the eventual account closure.

But before I turn to that I will briefly address the issue of the source of the funds Mr M deposited into his trading account.

Mr M's said that the money came from his business account, and that Plus500 ought to have known that. I don't agree that there was any obligation on Plus500 to interrogate the account Mr M was using to send money, or to have had cause to

question any images of his debit card Mr M sent.

Mr M would have had to agree to Plus500's user agreement in order to open his account. And at clause 17.3 of these terms says that Plus500 had the right to return funds or void trades if Mr M transferred money from "*a source other than an account registered in your name*".

I've also seen that when placing deposits Mr M had to had to accept a declaration which said "*I declare that (a) this Payment Method (Credit/Debit card) is registered in the name of [Mr M]*".

So I think Plus500 had made it clear Mr M should only transfer in money from accounts in his individual name, and that Plus500 could (but wasn't obliged to) take various steps if he didn't do that. I think it was reasonable for Plus500 to rely on Mr M's declaration and I don't think it needed to do anything further to check Mr M had complied. So I don't think it would be fair to hold Plus500 responsible for any consequences if Mr M chose to transfer money from other entities' accounts. I'd also note at this point that Mr M is bringing this complaint in his individual capacity – not on behalf of his company. So I can't consider any losses his company may have suffered in any event.

I'll now turn to the heart of the complaint and the closure of Mr M's account. I find this complaint to be very finely balanced. In reaching my decision, as well as the terms of the account I've had regard for Plus500's wider regulatory obligations (amongst other things).

Under the regulator's rules and principles for businesses, Plus500 needed to have regard for Mr M's interests and treat him fairly. This complaint also involves Mr M's disclosure of a vulnerability – namely that he had experienced compulsive gambling issues and that this caused him severe financial harm. In considering how to deal with Mr M after that, Plus500 ought to have had regard for the regulator's guidance for firms on the treatment of vulnerable customers – set out in guidance FG21/1 published in 2021.

This guidance isn't prescriptive about how firms should treat vulnerable customers, nor does it give examples of good practice in situations quite like this. But it does say that "*The needs of some vulnerable consumers may be met by building flexibility into existing customer services.*"

Overall I think the guidance is clear that firms should think about the specific needs of individual customers displaying a vulnerability, and tailor their approach to those customers accordingly. I've had regard for this when deciding what's fair and reasonable in the circumstances of this complaint.

When Mr M disclosed that he'd had gambling issues, that he'd had to sell possessions and borrow money, and that he'd used money from his company to trade, I think it was reasonable for Plus500 to conclude Mr M was vulnerable. And I think it was reasonable for it to consider that continuing to trade using its services and to expose him to more risk wasn't likely to be in his best interests. Where the terms of Mr M's account allowed for Plus500 to terminate the agreement with 14 days' notice, in the circumstances I'm satisfied that it was fair and reasonable for Plus500 to exercise its discretion to invoke that clause, and that it did so having had regard for Mr M's interests.

The point of contention here is that, having made that decision, Plus500 allowed Mr M

to keep his positions open, and in fact extended the deadline for closing his account by a further two weeks. It also allowed Mr M to make more deposits during this time, to avoid his account going into margin deficit and having his positions closed anyway. I've thought very carefully about this aspect of Plus500's decision making.

I think this was a difficult situation for Plus500 to manage because there were competing and conflicting factors for it to consider. Mr M had told them his trading was causing financial harm, and so any continued exposure to or increase in the risk he was taking was likely to have the potential to cause him more harm if those risks materialised. Allowing him to add more money to his account was exposing those additional deposits to the risk of loss.

But at the same time, Mr M was consistent and clear that despite his financial position he wanted to keep his trades open. Plus500 is right to say it wasn't for it to assess Mr M's market analysis or take a view on whether it thought he was right about the chances of his trades turning a profit. But I think it was fair for it to weigh up amongst the other relevant factors, than Mr M didn't want to close his positions.

Plus500 has said that it allowed the extension in order to offer Mr M some flexibility as the FCA's guidance suggested it should. While I have some sympathy for its position, I don't think offering Mr M flexibility meant it needed to give him what he wanted – or that exposing him to more risk was an appropriate type of flexibility (as opposed to say, communicating in a different way) to offer here.

I say this because the particular vulnerability Mr M had disclosed was one of financial resilience. He'd told Plus500 he was already in a position where he had borrowed money, and was funding his account from his business's assets. I think these were really important factors that Plus500 needed to give a lot of weight to in deciding what to do.

I've also considered that when agreeing the extension, Plus500 was very clear that continuing to hold these positions was exposing Mr M to further risks and that he might lose more money. I note Mr M acknowledged and accepted those risks.

But Plus500's website and terms of business are also clear that trading using its services is very risky and could expose Mr M to losing money. I don't think telling him again was adding to his knowledge or understanding of those risks – these were things he already knew.

I think that's important because Plus500 had taken the decision not to let Mr M trade with it any longer when it chose to close his account, despite his acknowledgement and acceptance of those other risk warnings. If Plus500 didn't think it was right to let Mr M expose himself to more risk after accepting the previous warnings, I'm not persuaded there was good reason for it to consider it fair to let him do so after accepting one more warning.

I'm not aware of Plus500's precise hedging strategy – in other words I don't know to what extent it was exposed to the outcome of Mr M's trades. But I've also considered that, was it not completely hedged to his position, it would also have stood to gain from any losses Mr M made. While the inverse is of course true, this conflict of interest would also be relevant in assessing any decision Plus500 made to allow Mr M to take on more risk.

And it's here that I find myself of the view that Plus500's actions weren't fair and reasonable to Mr M. Because I think it allowed him to expose himself not just to the

same risk he already had, but the potential for yet further losses. By extending the contractual notice period, and crucially, by allowing him to deposit further cash to protect his position in the meantime, Mr M's potential losses increased with every deposit.

As I've said I can understand the difficult balance Plus500 had to strike. And that it wanted to be flexible with Mr M. But ultimately, it had a customer who was potentially very vulnerable from a financial resilience perspective, potentially funding his trading from his business, adding more funds for longer to a position that, were it to go against him, would result in the potential loss of those additional deposits. Taking all the circumstances and Plus500's obligations into account, I don't think it was fair and reasonable for it to expose Mr M to this additional risk of loss.

I don't think this conclusion is influenced by hindsight. I appreciate that it's possible the markets could have behaved differently and to Mr M's benefit. But this was about risk – and at the time of Plus500's decision, without knowing what the market would do, it decided to let him take more risk than it needed to, when it had already decided to close his account at least in part because it thought the risks he was exposing to were likely to cause him harm based on what he'd told it.

Where a significant proportion of Plus500's retail clients lose money trading CFDs, and Mr M in particular had a track record of losing money, I think it was reasonable for Plus500 to assume that generally speaking more risk and more trading would, on balance, be more likely than not to result in more losses for Mr M. And it knew those were losses he couldn't afford.

Putting things right

Our investigator thought Plus500 ought to have closed Mr M's trades as soon as he made his disclosures in January 2024. I've taken on board Plus500's arguments here, and I don't agree that would have been fair or what I'd have expected to happen. Plus500 had a contractual notice period, and I don't think allowing Mr M to retain his existing position – the risk he was already exposed to – was necessarily unreasonable itself. I think that step, giving him the 14 days to manage the position or arrange to close it and reopen it elsewhere (if that's what he wanted to do) would have been both the contractual position and reasonable in light of Plus500's obligations to treat Mr M fairly.

The extension of that time I think falls away in terms of the loss to Mr M. Because I think it's the allowing him to deposit additional funds, and so increase his risk of loss, that as I've explained above is the source of the unfairness here in my view. From what I understand of Mr M's position, had he not added more funds his position and account would have fallen into margin deficit long before the original 14 days were up. And that's the position that I think Mr M would have been in, but for Plus500's actions.

So I think Plus500 should calculate what Mr M's account balance (what he'd have had left to withdraw on account closure) would have been had he not added further funds after 23 January 2024, after his positions had been closed out (A).

It should then calculate what his account balance actually was when it was closed (B).

It should then pay Mr M a value equal to the amounts he deposited after its email of 23 January 2024, plus (A-B). It should add 8% simple interest to the deposit amounts, from the date each deposit was made until the date it settles this complaint, to compensate Mr M for being deprived of that money.

Like our investigator, I'm satisfied that the additional losses Mr M suffered will have significantly added to his distress, and that Plus500 should compensate him for that too. I agree that £500 is fair and reasonable compensation in the circumstances.

Plus500 responded to my provisional decision. Briefly, it said that it didn't think it was fair to account for all the deposits Mr M made after it had given him notice it was going to terminate his account, because he'd made a £35,000 withdrawal just after notification was given. It said I should use the net deposited amount for redress. It further questioned my redress methodology due to the refund of deposits as well as the comparison of account values – which it said amounted to the same thing and so would lead to double compensation. It finally noted that its terms didn't allow it to restrict Mr M's deposits during the termination period.

I wrote further to the parties addressing these arguments. I said:

I'm not persuaded by the bulk of Plus500's argument here. Whether or not Mr M had withdrawn some of the cash from his account, I still don't think it was fair for Plus500 to let him re-deposit it. I say this largely for the reasons set out in my provisional decision. It was clear to Plus500 that Mr M was at severe risk of financial hardship due to the losses on his account, and I think it was reasonable for Plus500 to conclude further risk, and further potential losses, weren't in his best interest. The fact that Mr M had taken the step of withdrawing funds from the risk his Plus500 account represented doesn't change that. I say this particularly because Plus500 ought reasonably to have suspected at that point that some if not all of the funds Mr M had withdrawn had come from his business's account, and not his own. I don't think it was fair for Plus500 to have allowed Mr M to risk this money by depositing it again after he'd withdrawn it.

I also don't think Plus500's terms prevented it from doing so, either.

At clause 17.3 the terms say that Plus500 has the right to return funds that were transferred from a source other than an account registered in Mr M's name (which appears to be the case here).

Clause 14.7 says that "Trading Account restrictions" may be imposed for reasons including a termination notice being issued.

Clause 18.6 says that "in certain circumstances you may encounter a limit on your Deposits".

Clause 22.6 says that Plus500 can terminate the agreement by providing written notice (as it did) and also that "we may, in our sole discretion and acting appropriately, place restrictions on your account following our written notice".

So I'm satisfied that Plus500 could have restricted Mr M's account by limiting his deposits during the termination period, which would have been flexible treatment for a vulnerable customer, and which its terms allowed it to do.

I do however agree with Plus500 on the redress methodology point. I agree that given Mr M had just one position, the losses he suffered due to Plus500 allowing him to deposit funds after the termination notice are simply the amount of those deposits. So I intend to direct Plus500 to refund to Mr M the amount of the **gross** deposits made after he was issued a termination notice (to be completely clear, that means I don't think it can deduct the amount of any withdrawals) plus interest.

Plus500 agreed with my renewed proposals and said it would repay Mr M the total gross

deposits he'd made after his account was put on notice of termination.

Mr M didn't agree with Plus500's offer to settle on that basis and said he wanted a final decision. He said the hardship he'd been subjected to amounted to "*hundreds of thousands*".

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.

As no material new evidence or arguments have been put forward following the combination of my provisional decision and subsequent correspondence with the parties, I see no reason to depart from the conclusions I previously reached, and so make those findings and conclusions final, here.

Mr M has said he thinks his losses are more than the deposits he made after his account was put on termination notice. But I've not looked at anything that happened with his account before he notified Plus500 of his potential vulnerability and it said it would close his account. I remain satisfied that the way I've suggested Plus500 should put things right compensates Mr M fairly for the losses that flowed from the things I think Plus500 did which weren't fair or reasonable to Mr M. Namely allowing him to add to his risk by depositing further funds after his account was in the termination period. I'm pleased to see Plus500 has agreed and accepted my provisional recommendations.

Putting things right

As set out in my provisional decision and amended by the subsequent correspondence above, in order to put things right Plus500 must pay Mr M a sum equal to the gross deposits he made to his account on or after the date Plus500 told him it was going to close his account. For each deposit Plus500 should add 8% simple interest from the date Mr M made the deposit until the date it settles the complaint. For the same reasons I gave in my provisional decision, Plus500 must also pay Mr M £500 in light of the trouble it caused him.

My final decision

I uphold this complaint - Plus500UK Ltd must pay Mr M compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 May 2025.

Luke Gordon
Ombudsman