

## The complaint

Mr R complains that eToro (UK) Ltd (eToro UK) failed to prevent unauthorised sales of investments he held on eToro UK's platform.

## What happened

Mr R has a share dealing and derivative trading account with eToro UK. By connection to that he also has a e-money wallet which is operated by another firm within eToro's group, eToro Money UK Ltd (ETM).

On 29 August 2024 in the early hours Mr R says his mobile phone was stolen and his trading account accessed through that to sell shares and cryptocurrency positions he owned, mostly between 3am and 4am that morning. Those cash proceeds were held within an e-money account administered and operated by ETM, from where cash payments were sent of £3,000 at 4:01am and £1,599 at 4:06am to an individual I'll refer to as "B". A further payment of £569.72 was sent to Mr R's account a few hours later at 7:11am.

Later that day at around 11:50am Mr R contacted ETM to report that his phone had been stolen, where his trading account could be accessed from. Mr R recalls that in this call ETM had assured him the account hadn't been compromised. Once he received a replacement phone around 9 September 2024 he says he logged into his account to find the opposite, that his shares and cryptocurrency positions had been sold and the proceeds subsequently sent to B without his authorisation.

Dissatisfied eToro UK failed to prevent what Mr R considered ought to have been seen as unusual activity on his account and the lack of support around this incident, he complained about what'd happened.

It isn't clear which entity of eToro responded to his complaint, but both the trading and e-money aspects had been considered but not upheld. Relevant to his trading account, eToro UK said it wasn't responsible for his loss and had followed the correct procedures by attempting to recall the funds, reset account information and adding enhanced security features, such as two-factor authentication (2FA).

Mr R, unhappy with the response he received, asked our service to look into the matter further.

One of our Investigator's considered his complaint and thought we could only consider part of it, as the matters relating to cryptocurrency weren't within our jurisdiction. On what he said he could consider he didn't uphold the complaint. He explained that he wasn't persuaded eToro UK ought to have prevented the transactions given the volumes weren't unusual and the withdrawal of cash was instructed to and carried out by another firm.

eToro UK responded but only to dispute the entity our service had considered the matter against.

Mr R responded to disagree with the outcome reached. He, as well as restating his earlier concerns, said the following:

- Our service should be able to consider the cryptocurrency element given it was inseparable from the events.
- eToro UK had taken no steps to reverse or flag the account activity as suspicious.
- Claims about 2FA use were contradictory.
- He had displayed reasonable conduct throughout and took reasonable steps to protect his device and account.
- Other firms had refunded him for other losses stemming from this incident.

Our Investigator responded to explain his view was unchanged on whether we could consider the cryptocurrency part and on eToro UK's responsibility to prevent Mr R's positions being sold.

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.

#### Jurisdiction

The issues involving the services Mr R receives from eToro's business in this matter involves two separate entities with distinct responsibilities for the respective services those firms provide him. eToro UK provide his investment account and the trading platform, carrying out the regulated activities of dealing in investments, and safeguarding and administering, as set out in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (RAO).

But importantly those regulated activities can only apply to "*specified investments*" which the RAO lists, which doesn't include cryptocurrency. We can't then as a matter of course consider complaints about cryptocurrency. The rules can allow us to consider activities outside of those that are regulated, but only where it is ancillary to a regulated activity.

I understand Mr R's point around this where in his view a fraud took place on his account which affected both his regulated shareholdings and unregulated cryptocurrency. But the ancillary activity needs to be ancillary to a regulated activity, not the happenings of the matter. In my view that ancillary link isn't made here where cryptocurrency operates as a separate service, isn't closely connected to the provision of regulated share dealing, and where providing a trading account in itself isn't a regulated activity. I don't consider then the selling down of Mr R's cryptocurrency to be within the remit of our service.

As his shares are a "specified investment", and as eToro was providing both safeguarding and administering and dealing in investments activities, the aspects around his shares are within our jurisdiction and the scope of this complaint.

In this decision I can only consider a complaint about the actions of the individual firm it relates to, here that is eToro UK. In these circumstances the cash value of those trades was sent to Mr R's e-money account with ETM at which point any matters involving that would fall under ETM's responsibility, which is addressed in a separate decision against that firm, and not eToro UK whose responsibility would be limited to the happenings on the regulated investments within the trading account under its remit.

In summary then this decision relates only to Mr R's shareholdings and eToro UK's actions around that.

#### The merits of the matter I've decided to be in scope

The trades in question that Mr R says was carried out by another individual took place mostly between 3:00am and 4:00am, which all related to his cryptocurrency positions, with the shares being sold later around 7:00am and 1:30pm.

I would expect, in acting in line with its obligations, eToro UK to have identified any activity it ought to have reasonably considered suspicious. But I need to also weigh that against that it was providing Mr R with its services on what's called an "execution-only" basis. Broadly that means eToro UK has no input into the investment decisions taking place on the account with its role being more around providing the platform and to carry out the trades being instructed. It wouldn't then be acting out of turn if it thought the transactions taking place were instructions from Mr R in the normal course of trading. That is difficult to identify given it would reasonably be relying on Mr R's account being secure and accessible only by him. It would in practice require actual knowledge of a compromise or very unusual activity to reasonably cause eToro UK's suspicions to be raised.

Understandably Mr R feels it was clear fraud was taking place on his account given there was a lot of activity in a very short space of time, with his shares being sold at around 7:00am and 1:00pm later that day.

Turning first to the shares sold around 7:00am, in my view I don't consider that eToro UK ought to have considered they were being sold by an unauthorised individual. While most, if not all, Mr R's cryptocurrency positions have been closed a few hours earlier on an account with little normal usage, on balance I think it's reasonable eToro UK considered the sale of the shares to be anything but normal trading activity. I say this because that wouldn't look out of step with someone choosing to remove themselves from the market. The timing might be considered to have been unusual, but I'm not persuaded in these circumstances that combination of events ought reasonably to have led eToro UK to have reasonably thought unauthorised activity was taking place. It follows I can't fairly say eToro should've intervened when these shares were sold.

When the shares around 1:30pm were sold, Mr R had already informed ETM that phone had been stolen, at 11:50am. I've seen a copy of this transcript, and I'm satisfied that demonstrates ETM received that call rather than eToro UK. I say this because the call handler notifies Mr R that he is speaking to ETM. I wouldn't be able to fairly hold eToro UK responsible for information that could've been passed to it by ETM but wasn't. From reviewing the evidence provided I've not seen it likely ETM had informed eToro UK about what Mr R told it prior to the shares being sold around 1:30pm. In the absence of being told Mr R's account was compromised, again I don't consider those shares being sold ought to have raised eToro UK's suspicions his account had been accessed by another individual. It would as above, be transactions being carried out on an execution-only basis and look in line with the actions of someone wanting to exit the larger who wasn't a regular trader.

It follows then while I sympathise with Mr R for the events that have taken place in this matter, I can't fairly say that eToro UK ought to have done more to have prevented his shares being sold. Consequently, that means I can't direct eToro UK to compensate him for any loss he might have incurred had he continued to hold those shares.

Lastly turning to Mr R's communications with eToro UK, from the information I've reviewed I'm satisfied eToro UK handled Mr R's communications with it around his trading account in

a reasonable manner. It responds within a reasonable period and carried out the investigations it needed to. It also took steps to put in place security refreshes of the account and implemented enhanced security, which the logs demonstrate weren't in place at the time. Mr R also disputes that 2FA wasn't enabled on his account, while that is only relevant in the context of Mr R's conversations with eToro UK, I'm satisfied the logs at the time show it wasn't enabled when these sales took place. I say this because a 2FA marker doesn't at first appear on the logs for his trading account, with it later showing once he'd reactivated his account in September 2024. eToro UK then hadn't in my view wrongly told him 2FA wasn't enabled on his trading account as he feels it did.

It follows then I'm satisfied eToro UK hasn't caused any unreasonable delays in how it dealt with this matter or in how it communicated with Mr R. Some of the communications Mr R is unhappy with relate to ETM, and as I've already mentioned those matters are being considered separately against that firm as eToro UK isn't responsible for the actions of that firm.

### **My final decision**

For the reasons given above, I don't uphold Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 12 March 2026.

Ken Roberts

**Ombudsman**