

## The complaint

Business R has complained that Interactive Brokers (U.K.) Limited ('IB') unfairly downgraded its options trading permissions. Business R says it suffered a financial loss as a result, would like for those losses to be returned and for the trading permissions to be reinstated.

In bringing the complaint, Business R is represented by Mr A, who managed the account.

## What happened

Mr A was an experienced trader in stocks and options. He opened an account on behalf of Business R with IB in August 2013 to trade in stocks, options and futures, the latter to hedge market positions. In November 2024 Mr A found his US options trading permissions had been downgraded which meant he wasn't able to trade options. Mr A contacted IB online followed by some telephone calls he found frustrating and difficult.

Mr A raised a complaint with IB as he wasn't told about the removal of trading permissions and said he suffered a significant loss as he wasn't able to hedge his market exposure. IB didn't agree with Mr A. It said;

- It had received instruction from Mr A on 12 November 2024 to cancel the pending trading permission for United States (Algorithmic Execution Venue) Stocks and he had confirmed him options trading level one capability. So his trading permissions had been amended.
- It provided details of the actions Mr A should take if he wanted to amend his trading permissions.

Unhappy with the outcome, Mr A brought the complaint, on behalf of Business R, to the Financial Ombudsman Service. Our investigator who considered the complaint thought IB needed to do more. He said;

- He didn't think IB had done anything wrong in restricting Mr A's options trading permissions as he no longer met the criteria needed to engage in such risky trading.
- While Mr A was given conflicting information, it had been confirmed to Mr A that the restriction was imposed by an automatic systems based check which concluded that Mr A didn't meet the threshold for high level option trading permission.
- The downgrade had completed before Mr A made changes which were prompted by one of IB's representatives.
- It was Mr A's change of email linked to the account that had caused the automated system check.
- While Mr A was eventually given correct information during calls with IB, the investigator thought IB could have done better in earlier calls when it gave Mr A incorrect information which raised Mr A's expectations. He thought IB should pay Mr A £200 because of this.

IB confirmed it was willing to pay Mr A £200 to resolve the matter but Mr A didn't agree and responded with his concerns which our investigator further addressed;

- Even if Mr A didn't read IB's terms of business it wouldn't be fair to the business for him not to be bound by the terms.
- It didn't matter what triggered the check, as the account should always meet the criteria and IB was within its rights to adjust its trading permissions if needed.
- He confirmed what calls he had listened to and explained firms weren't always forthcoming about the reasoning behind the downgrade of permissions to prevent circumvention.
- This service wouldn't refer to other complaints as each complaint is considered on its own merits.
- He appreciated Mr A used options to hedge his market positions, but his role was to assess whether Mr A had been treated in a compliant way which was fair and reasonable.
- While Mr A may have been frustrated by the factual inaccuracy in IB's final response it didn't have a financial impact on him.

Mr A still didn't agree so our investigator wrote to him again;

- IB had adhered to wider regulatory requirements.
- IB had confirmed that since it had issued its final response and follow up email of 15 November 2024 Mr A hadn't requested an upgrade in permissions. So Mr A hadn't taken any action to restore his account after he had been given information about how to go about that.
- The change to trading permissions was triggered by the change in email address and it wasn't illogical that such checks should be made when account changes were made to ensure continued eligibility.
- IB had to be careful in disclosing what its eligibility requirements were.
- During the various calls Mr A had with IB, more information, rather than different information was given. The final response to Mr A's complaint made clear what Mr A should do to regain his trading permissions.
- IB had to abide by the rules imposed for customers to access the US options market and had to adhere to as much as a customer consistently needed to meet the requirements for the trading permissions. It wouldn't be right for IB to allow Mr A to continue trading options once he no longer met the eligibility requirements.
- IB couldn't deviate from what rules were in place and the eligibility overrode Mr A's reasons for trading.
- He gave further detail around why any failing in the final response to Mr A's complaint hadn't caused him any loss and Mr A didn't take the steps outlined.

As the complaint remains unresolved, it has been passed to me for a decision in my role as ombudsman.

### **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.

After doing so, I've reached the same conclusion as the investigator and broadly for the same reasons. I'll explain why.

This service's approach is inquisitorial, not adversarial, and the purpose of the decision is to provide a report of my determination as to what is fair and reasonable in the circumstances, not a point by point response to the submissions made by the parties to the complaint. And I assure the parties that I have carefully considered everything, even if I have not specifically commented on it as my decision focusses on what I consider to be the crux of Mr A's complaint, namely that his options trading permissions were downgraded.

In the UK IB is subject to the rules and regulations of the Financial Conduct Authority ('FCA') and the Securities and Exchange Commission ('SEC') and the Financial Industry Regulatory Authority ('FINRA') in the US. When Mr A opened his account with IB, as a US regulated broker IB must comply with the US regulations as well as those in the UK.

### Trading permissions downgrade

When Mr A tried to place a buy option trade on 12 November 2024, he received a message to say that his trading permissions – which allowed him to trade options in the US – was denied due to insufficient financial information. I understand the automated reassessment of the account for its continued appropriateness came about because of an information change on the account. That change was Mr A's new email address. IB has provided a screenshot of IB's system with timestamps that shows Mr A's request for the change on 26 October 2024 and processed by IB on 6 November 2024. The result of that automatic systems check automatically downgraded Mr A's trading permissions.

IB's response to Mr A's complaint on 14 November 2024 contained an inaccuracy as it stated it had received an instruction from Mr A to cancel his US options trading permissions on 12 November 2024. This wasn't the case as his trading permissions were downgraded for a different reason which stemmed from IB rather than any instruction from Mr A. I note that on 15 November 2024, further to contact with Mr A IB explained that it couldn't approve an upgrade to his trading permissions 'based on the financial information on file on your account'. It went on to say;

'Please note that various criteria including financial information, investment experience and objective are collected to determine whether to approve your account for trading permissions. This information is reviewed periodically, and trading permissions may be changed after the review. In line with regulatory expectations, IBKR does not disclose the eligibility requirements for products...'

IB has shared with this service limited information about the reason for the downgrade to level one trading permissions but has asked us not to share this information. This is to prevent customers from manipulating their account information to gain access to options permissions as option trading is high risk and isn't appropriate for all customers who might want to carrying out such trading.

I accept that IB's eligibility requirements are proprietary and cannot be shared. Mr A doesn't think this is fair and says that any information given by the customer could be verified with further checks. But if IB, and other option trading brokers, were to disclose the exact requirements then some options account applicants would simply answer the requirement questions in a way they know will guarantee approval. The system, as it is, allows the broker to apply judgment rather than rely solely on fixed threshold lists and without the need for an additional layer of verification.

Assessing a customer's responses to the eligibility criteria allows a business to consider whether the account being requested is appropriate for the customer bearing in their financial circumstances, knowledge and experience etc. This is a regulatory requirement of the FCA. While it's not a regulatory requirement for IB not to disclose its eligibility criteria but if IB were to give a customer the knowledge of what its criteria is in order for that customer to successfully open – or to continue to hold an account – would allow the customer to circumvent its requirements and potentially have an account that may not be right for them. This could prevent IB from delivering a good outcome for its retail customers which it has a regulatory responsibility to provide.

So, I'm satisfied IB has a regulatory obligation to ensure that the account was right for Mr A both at the outset and ongoing, to the extent that there was the possibility of foreseeable harm. And in carrying out the eligibility check it was IB's identification of foreseeable harm that caused it to withdraw the US options trading permissions.

I appreciate Mr A considers this to be contradictory and from his point of view the fact that he couldn't trade options put him at additional risk as he couldn't hedge his stock positions. I can see from a screenshot provided by IB that Mr A's 'Investment Objectives & Intended Purpose of Trading' was for growth, hedging and to profit from active trading and speculation. While I appreciate this was the reason Mr A had the account in the first instance, this doesn't override IB's regulatory requirements to make sure the account was run as it should have been and its eligibility criteria continued to be met.

Mr A says that by IB allowing him to continue to buy stocks this implied he had full account functionality but without informing him that he was no longer able to hedge via put options exposed him to unnecessary risk. But IB's downgrade would have been irrespective of the reasons why Mr A had the account. And IB had an obligation to treat him fairly and therefore had a regulatory duty to monitor for risks of detriment and, where it reasonably identified such risk, to take reasonable steps to mitigate it.

It should also be borne in mind that customer's circumstances change over time – as do the rules and regulations and a business' own internal risk models – so reassessment, as and when, is required to ensure continued appropriateness for the customer. Here IB identified a risk for Mr A so I don't find it unreasonable for IB to have acted as it did in revoking his trading permissions.

While IB has identified it was the change in Mr A's email address that triggered the reassessment of the appropriateness of the account, bearing in mind his financial circumstances and investment objectives etc, it's not the case that a reassessment would be limited to when account details were changed. IB had an ongoing obligation to make sure the account was right for Mr A.

Mr A has said that he is not in disagreement with the rules and regulations but more that it's about fairness and transparency in the implementation of IB's procedures and decisions. I accept that ideally Mr A would have liked to have been informed of the withdrawal of his trading permissions. He only became aware of this when trying to trade. His view is that if his financial information and objectives given at account opening allowed for his account to be opened, and him to be able to hedge his positions, why wouldn't IB's system have allowed him to trade long call/put options to protect his positions.

But I think Mr A's point ignores the fact that his trading permissions had been downgraded to the extent he couldn't trade in options and by IB allowing him to have place such trades – which I accept might have protected his market stock positions – would ignore the fact that a downgrade had taken place as it was found the account wasn't appropriate for him until the eligibility criteria was met. Quite simply the rules wouldn't allow for that and IB would be

penalised if it permitted such trading in the knowledge Mr A hadn't met its eligibility for that level of trading permissions.

IB's client agreement and terms of business gives it broad discretion to change the services, products or investments it offers. Mr A consented to those terms when he signed up for his account and IB is within its own contractual rights to downgrade or restrict trading permissions unilaterally and at its sole discretion. And IB isn't obliged to seek consent or give a bespoke notice when making those changes.

Mr A says that the final response to his complaint wasn't final in the sense that he relied upon the instructions given in it about upgrading his trading permissions and believed that following those instructions would resolve the trading access issue. But this wasn't the case. While Mr A may have chosen to rely on the information given – which I don't agree were instructions as it was only if Mr A wished to amend his trading permissions – there wasn't any indication that his trading permissions would be upgraded.

Clearly, IB wouldn't be in the position to confirm the upgrade would be granted as the trading permissions upgrade hadn't been requested so there would be no way of knowing whether the application would be successful in advance of it being made. For a successful upgrade Mr A would need to input details of his trading experience, financial situation etc and it would only be then that IB could determine whether he met its eligibility requirements. And the downgrade on Mr A's account had already taken place by the time the final response letter was sent so I don't agree any information given in that letter would have had a financial impact on Mr A's account. Mr A was by this time aware of the downgrade and could have managed his open option and stock positions as he wanted to within those limitations as an execution only account or requested an upgrade to his trading permissions.

Mr A has questioned why he was allowed higher risk stock trading but the use of put options to reduce that unhedged risk was revoked. But Mr A opened his account for 'Profits from Active Trading and Speculation' and it couldn't be known by IB that by allowing Mr A options trading permissions he would just limit his trades to call/put options to protect his already held stocks – where only the option premium is at risk – rather than other more speculative option trades. While Mr A might have his own trading strategy, it's not for IB to know what that was and it's not for a customer to tell a business it should open up an asset class to a customer or what risks the trades planned imposed. It is the business that assesses that risk which it looks to mitigate. And options are recognised by the regulators as being higher risk than regular equity trading as they are complex financial instruments, hence the additional customer protection

As mentioned above, the final response letter from IB gave Mr A details of how he could apply to upgrade his trading permissions if he wanted to, but I understand he hasn't done this. While Mr A may reapply for the reinstatement of his trading permissions IB cannot disclose the required thresholds or eligibility requirements for approval. I accept this is frustrating for Mr A as he has been trading with IB since 2013 and now has no certainty why he didn't meet IB's criteria which he has always met until that point. But I don't agree that IB has done anything wrong by either downgrading Mr A's trading permissions – it was acting in line with its own terms and the regulations – or that it won't disclose its eligibility criteria.

#### Mr A's contact with IB

I've listened to the telephone calls Mr A had with IB prior to it issuing its final response to Mr A's complaint. I haven't been provided with subsequent calls but they wouldn't have a bearing on my consideration of what gave rise to the issues that Mr A is complaining about. After listening to the telephone calls had on 12 November 2024, I think they could have been

handled differently. Even though the representatives did try to help Mr A, his questions weren't answered.

Mr A reconfirmed all his account details during one of the calls and IB said in its response to the complaint it was this which had caused the downgrade. However, that's not correct as the downgrade had already occurred by this time and it was this Mr A was trying to resolve when calling IB. But I appreciate this incorrect information must have been frustrating for Mr A.

During the further telephone call held on 13 November 2024 it was explained that the downgrade could have resulted from one of IB's regular checks about eligibility and if those didn't meet its requirements the downgrade would occur. Mr A was advised to review his financial information and knowledge etc to make sure that investment experience and investment objectives information was correct as the checks were automatically generated. It was explained here was no manual intervention and IB's representatives had no control over that. Mr A wasn't sure what had occurred to make the change. The representative again advised Mr A to update his investment experience details but couldn't tell Mr A what information to input/update. It was made clear IB wouldn't disclose eligibility requirements.

But like the investigator, I think the information given during the call of 13 November 2024 could have been given during the earlier calls and his expectations about having his trading permissions reinstated could have been managed better. I think Mr A was inconvenienced when he wasn't given unequivocal answers to his questions sooner and IB should pay him redress because of that. I think £200 is a fair reflection of the poor service Mr A, on behalf of Business R, received.

When Mr A opened the account with IB as part of that he agreed to its terms and conditions. Mr A has said he doubts if many people read them in full. I appreciate that may be the case but when agreeing to those terms and conditions Mr A acknowledged he had read and understood all information provided during the application process and he and IB would be bound it, it was Mr A's responsibility to ensure he read and understood those terms. So, it wouldn't be fair or reasonable for me to conclude that Mr A wasn't bound by his agreement to those terms. And as part of those terms IB was able to refuse a customer order at its sole discretion. So, in and of itself, IB's decision not to accept Mr A's options trade request was in line with the agreed terms and conditions of the account. But I have considered whether IB treated Mr A fairly and reasonably, and I can't agree that it didn't.

During his dealings with the Financial Ombudsman Service Mr A became aware of other complaints made about IB and which were upheld. But this service considers each complaint based on its own particular merits taking account of the individual circumstances of the complaint. So, any complaints upheld against IB by this service or elsewhere, doesn't have any bearing on my consideration of Mr A's complaint.

Overall, I agree Mr A was inconvenienced as a result of the telephone calls he had with IB in trying to resolve the downgraded trading permissions query and IB should pay £200 in recognition of this. But for the reasons given, I don't uphold the complaint about the downgrading of Mr A's trading permissions. I appreciate Mr A – on behalf of Business R – will be disappointed with the outcome. Its clear Mr A understandably feels strongly about it. But I hope I have been able to explain how and why I have reached the decision I have.

### **Putting things right**

IB should pay Mr A, on behalf of Business R £200 for the inconvenience caused during telephone conversations.

**My final decision**

For the reasons given, I uphold Business R's complaint about Interactive Brokers (U.K.) Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Business R to accept or reject my decision before 7 January 2026.

Catherine Langley  
**Ombudsman**