DRN-5754726

The complaint

Mr J complains eToro (UK) Ltd ("eToro") is at fault for losses and distress he suffered when a stop loss order closed a leveraged short trade he had in the shares of a company ("R") through a contract for difference ("CFD").

Mr J says eToro's stop loss description suggested a stop loss should close trades at the price specified. He says eToro didn't provide sufficient warning or information about the potential for market gaps to cause significant deviations from the stop loss price.

Mr J says the time eToro took to respond to his complaint left him in a state of uncertainty and this and the stress caused by insufficient communication and the unresolved issue significantly impacted his ability to trade effectively.

Mr J seeks a full refund of his trade deposit as well as redress for distress.

What happened

Mr J's trade opened at 8.54 on Friday 28 February 2025. He set a stop loss rate at 9.38. He says he expected his stop loss would cap his losses at around 50% of his $751 trade deposit ($375) but he lost more than 90% ($681, so over $300 more than his expected maximum).

Mr J's trade was a sell trade on company R's share price, so his stop loss would trigger if the share price rose to 9.38. But his trade closed at a price of 10.085 on 3 March 2025 at 2:30pm, which was the opening time of the relevant overseas market. eToro has said the difference between the stop loss price and the closing price was due to a market 'gap'.

Mr J lost $681.44 on his trade at that time but eToro later revised the closing price to 9.997, which still exceeded his intended stop loss price by a significant margin, and repaid him $38 as a result. eToro also offered Mr J $100 as a gesture of goodwill if he would agree to settle his complaint, which he did not.

Mr J has said eToro advertises the stop loss as a *"reliable risk management tool, allowing users to define and limit their risk"* and that if these can't be reliably executed *"during market gaps or periods of volatility"*, this limitation should've been clearly disclosed upfront before any trade was placed. He says no such disclosure was provided, which represents a failure of platform functionality and a breach of trust in eToro's advertised services.

Our investigator considered Mr J's complaint and thought eToro's General Risk Disclosure (GRD) document had given him information relevant to the potential limitations associated with stop losses – in particular, the following:

"There are however circumstances in which a stop loss limit is not fully effective — for example, where there are rapid price movements, or market closure."

"Sudden market movements, known as gapping may occur, causing a dramatic shift in the price of an underlying asset. Gapping may occur when the underlying market is closed, meaning the price on the underlying market may open at a significantly different level, and at

a less advantageous price for you."

Our investigator also noted information on stop losses available on eToro's website, under the *'How to setup Stop-Loss & take profit orders'* page, as follows:

"Are Stop-Losses guaranteed?

A Stop-Loss is not guaranteed. When the market is volatile, or if the market you are trading is closed overnight, then the price level at which you set your Stop-Loss might not be traded in the market, and prices can "gap." In this case, the Stop-Loss will trigger at the next available rate."

Information about market gaps under a *'What is a Market Gap?'* page includes the following:

"When a market is closed (for example, during weekends or daily market breaks), there are no rates being traded. However, news and announcements still affect the markets. It is possible that the market will open at a rate which is significantly different from the previous closing rate due to the changes in demand."

Our investigator also didn't think eToro's retrospective adjustment of the closing price of for Mr J's stop loss trade to one marginally more favourable to him (by $38) was indicative of other errors that might support Mr J's claim for further redress. So overall our investigator didn't think Mr J's complaint should be upheld.

Mr J rejected our investigator's assessment, emphasising there were failings and overlooked evidence he said called into question the fairness of eToro's conduct and our investigator's assessment. I've considered all his further points. These included, in brief summary:

- eToro's offers of $38 and $100 indicate eToro recognised internal failings and wanted to quietly resolve the complaint without involving the ombudsman.

- eToro admitted executing his trade at an incorrect rate, so technical execution errors occurred, not mere passive market movements outside eToro's control.

- eToro took eight calendar days to provide its response, during which time he suffered distress, confusion and uncertainty which affected his subsequent trades.

- He provided material and had difficulty uploading material and is concerned that his supporting documents and phone interactions weren't properly reviewed. It would be a clear oversight not to consider a phone call in which eToro declined to offer him advice to help avoid similar issues in future, which left him more uncertain and unsupported.

- The platform gave the impression the stop loss would cap potential losses. Stop loss limitations are referenced in eToro's broader documentation. But when placing a trade, no warning is given to indicate market gaps could render a stop loss ineffective.

- The issues caused emotional strain, loss of trading confidence, disrupted decision-making and financial hardship. The investigator acknowledged the impact on Mr J but didn't suggest redress for this.

- The ombudsman should consider contradictory compensation practices, inconsistent messaging and refusal to assist during a high-stress moment all signal a deeper failure on eToro's part. Its delay, miscommunication and admission of technical error justify greater scrutiny than simply deferring to risk disclosures. Overall the experience has significantly impacted his ability to trade confidently, and his financial stability.

- A fair and reasonable outcome would be to consider his claim for partial compensation in line with the emotional and financial harm he suffered, and to acknowledge inconsistent communication and contradictory compensation practices by eToro. If his full reimbursement claim is found excessive, a proportionate award or gesture would demonstrate fairness, restore trust in the process and reflect the harm and mishandling he has endured.

As the matter couldn't be resolved informally is has been 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.

Having done so, I've arrived at the same conclusion as our investigator and for the same reasons. I won't repeat here all our investigator said, but I've addressed Mr J's points briefly.

The crux of Mr J's complaint is that eToro's stop loss description led him to expect that it would close his trade at the rate he had set – and that eToro didn't sufficiently warn or inform him that market 'gaps' could cause significant deviations from this. Mr J doesn't say eToro shouldn't have let him make leveraged trades like the trade with which this complaint is concerned. His complaint is about the consequences when the trade closed at a much less favourable price than he had set as a stop loss, and the information eToro gave about this.

Price data on company's R's own website says the highest share price on Friday 28 February 2025 was 9.28 and the share price opened on Monday 3 March 2025 at 10.06. I refer to these prices not as a definitive or precise record of all available prices at the relevant time, but as evidence of the general shape of the price movements in the relevant period.

Using this data as a guide, Mr J's stop loss price wasn't reached during trading on Friday, so his trade remained open over the weekend - and Mr J hasn't suggested his trade ought to have closed that Friday. But when the market opened on Monday, the price significantly exceeded Mr J's stop loss price, so one would broadly expect that Mr J's trade would close, and at a price significantly worse than his stop loss price. This is what happened.

However eToro closed Mr J's trade at an off-market price that was a little less favourable than the market open price shown on R's website. eToro later adjusted this price in Mr J's favour by $38, on the basis that a slightly better off-market price might have been obtained. The resulting price was slightly more favourable than the opening price on R's website.

With or without the slight adjustment, the result was a price significantly above the stop loss price Mr J had set – but this is in line with what one would expect given the price change between the Friday closing price and the Monday opening price.

On this basis there is nothing about the general movement of the share price during that period that makes me think that eToro has treated Mr J unfairly or unfavourably or supports the idea that the shares were available on Monday at anything other than a price significantly above the price set for Mr J's stop loss. Nothing suggests a price of 9.38 was available in the market at that time. So I don't see that eToro ought to have closed Mr J's trade at 9.38.

So aside from the small adjustment eToro made in his favour, I don't find eToro at fault for how it executed Mr J's trade. Allowing for the small adjustment it agreed to make, I've seen nothing to make me think Mr J ought to have been given a better price than eToro gave him.

Mr J points to this $38 adjustment - and to the $100 'goodwill gesture' eToro offered him to settle his complaint, as evidence that supports the redress claim he has made. But I don't see that either of these actions is evidence that eToro ought to have closed Mr J's trade at a price of 9.38 – or that it ought to refund his trade deposit entirely.

I accept and acknowledge that losing something over $300 dollars more on the trade than the most Mr J was expecting he could lose was significant for Mr J. It meant he lost almost twice as much on this particular trade than he had been willing to risk. From what he's said the loss of funds also restricted his ability to make further trades he had planned, although he's explained he did make further trades. But I don't agree that the loss was due to eToro misleading Mr J or not providing clear information about how a stop loss worked. I say this given that the stop loss information I've seen says stop losses don't guarantee to close trades at a particular price. In contrast I've not seen anything from eToro that says the stop loss would be bound to achieve a particular price.

I note that information about the working of stop losses was readily available on eToro's website. I don't agree with Mr J that a fair and reasonable outcome here requires eToro to have displayed, immediately before Mr J made each trade, a specific warning about how market gaps can impact a stop loss's effectiveness.

Mr J has emphasised what he considers to be an inconsistent application of policy, but I don't see that this assists Mr J's case or provides grounds for saying that the loss he suffered here ought to be refunded by eToro. I don't agree that a suggestion that eToro will provide redress in some circumstances but not for losses exceeding a stop loss level when the market gaps, is contradictory or inconsistent. To my mind this is what one would expect.

I've considered what Mr J has said about a conversation in which he sought *"platform-specific risk mitigation guidance"* but was told by eToro that it didn't give advice. Mr J says there was a failure in the call to give guidance on how to avoid the same stop loss issue in future. But I've thought carefully about whether there was anything eToro could have usefully told Mr J about how to avoid a repeat of the issue in future and I don't see that there was. So long as Mr J kept trades open, he could lose or gain from market moves affecting the trades. If trades were open at the weekend or overnight, he could lose or gain from market moving events during those periods. When markets were closed, this could lead to price moves that went beyond stop loss limits, as Mr J had already found. I don't see that eToro could've said anything that would've altered this or mitigated that risk.

With this in mind, I don't see that there is a basis on which Mr J's claim for redress could be supported by further consideration of the call to which he refers. So while I accept Mr J's account of the call, I'm not persuaded to seek details beyond those he has supplied.

I don't overlook that Mr J hasn't claimed to have suffered in later trades a repeat of the same stop loss issue – his point is later trades may have produced worse results as they were affected by his uncertainty. But Mr J's account was an execution only account, making him responsible for the trading he carried out on it. He hasn't said he shouldn't have had this sort of account and it isn't disputed that eToro didn't undertake to give him trading advice. Mr J hasn't said anything that makes me think it would be fair to regard eToro rather than Mr J as responsible for the results of the trading Mr J chose to do on his account. I say this taking into account all he has said about his conversations with eToro and the service it gave him.

I note what Mr J has said about distress he suffered and how his confidence in his trading was knocked. But to award redress for distress, or for consequential losses, I have to find that these arose from a fault on eToro's part. I'd mention also that complaint handling isn't a financial service, so I can't redress failings if these are failings in complaint handling rather than in the provision to Mr J of eToro's financial services. So I've considered what Mr J has said about customer service failings with this in mind, including what he has said about the chat facility cutting off and having to restate his points, including his complaint points, to different eToro staff members.

I note in passing that eToro responded to Mr J's complaint within the regulatory time limits, which allow up to eight weeks. But insofar as the customer service issues he has cited weren't to do with eToro's handling of his complaint and his claim for redress for his trading loss, it seems to me the overriding cause of his distress was the outcome of his stop loss trade – and the loss of a much higher proportion of his deposit than he had expected his stop loss would allow. But I've not found eToro at fault for that loss.

I appreciate that system failures of a kind that occur from time to time are liable to be more frustrating or unsettling than they would otherwise be in light of the financial loss Mr J had suffered. But setting aside complaint handling and bearing in mind that the crux of Mr J's complaint concerns losses for which I've not found eToro at fault, eToro's failings overall aren't such that I consider an award for material inconvenience or distress is justified here.

With all I've said above in mind, I've not identified grounds for upholding Mr J's complaint. I appreciate my conclusions will disappoint him. I'm sorry he has had to wait some time for our final decision on this matter.

I'm grateful to Mr J for his patience during our consideration of these matters. His clear and courteous responses to my colleagues have been of great assistance to us throughout.

My final decision

For the reasons I've given and in light of all I've said above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 28 January 2026.

Richard Sheridan
Ombudsman