

## The complaint

Mr O has complained that eToro (UK) Ltd ('eToro') unfairly advertised Contracts for Difference ('CFD') to him as an inexperienced retail investor. He says it failed to properly assess the suitability of the product for him, failed to verify his personal details and didn't connect him with its compliance department despite his requests. He has lost his savings and has suffered stress and anxiety. He would like his \$27,058.44 returned to him.

## What happened

Mr O opened his trading account with eToro on 15 March 2021 after completing an 'appropriateness test.' He invested in stocks, exchange traded funds and cryptocurrencies. He says that despite not trading in CFDs after his initial transaction, he received aggressive advertisements to invest so he traded in CFDs again but lost money. His last trade was in September 2022.

Mr O raised a complaint with eToro in June 2024 seeking compensation for his losses. On 20 June 2024 eToro told Mr O it had classified him as a vulnerable client and was closing his account. His account was restricted so he couldn't open any new trades but could manage his open positions and withdraw funds.

On 12 July 2024 when responding to Mr O's complaint eToro confirmed that Mr O's last remaining position was closed on 20 June 2024 and the proceeds were returned to his balance. And it would return the remaining funds to him.

Mr O brought his complaint to the Financial Ombudsman Service. He said he wasn't treated fairly. Our investigator who considered the complaint didn't think eToro needed to do anything more. He said;

- Mr O had completed the necessary appropriateness test and he didn't think eToro's decision to allow him to open an account was unreasonable.
- The risks were explained to Mr O.
- eToro was entitled to rely on the information given by Mr O including his address.
- He didn't think eToro was unfair or unreasonable in closing his account and it had explained this to him clearly.

Mr O didn't agree with the investigator. He said eToro hadn't verified his country of residence which its mandatory practices now did so its failure to do so was a lapse in its regulatory obligations. Despite him saying so in the appropriateness test, he hadn't received any training in CFDs as he had only seen general videos relating to ETFs and not CFDs. He didn't indicate he had traded CFDs more than 40 times – the information was updated by eToro. His trading wasn't for the short term. He was an inexperienced investor but was still allowed to trade in CFDs. eToro's decision to close his account was arbitrary and punitive and its recognition of him as being vulnerable only came about after he experienced significant losses.

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

### **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.

I'd like to take this opportunity to explain that I fully understand Mr O's strength of feeling about his complaint, and I sympathise with the financial impact his trading losses with eToro have had on him and are likely still having on him. However, when looking at the circumstances surrounding Mr O's complaint, my role is to be impartial and consider what's fair and reasonable. This means taking into account eToro's role, its obligations as set out by the Financial Conduct Authority ('FCA'), but also the nature of the service it offered which involve a high-risk form of trading.

The FCA has rules that apply to CFD businesses and who those businesses allow to trade. As part of those rules' firms are required to obtain information about a client's knowledge and experience that allows it to assess whether a product or service is appropriate for the client – the appropriateness test. Under COBS 10A.2.10 if a firm is satisfied that the client has the necessary experience and knowledge to understand the risks involved in relation to the product it offers, it can simply proceed without informing the client of this.

Mr O says that eToro violated anti money laundering and 'know your client' regulations when he was allowed to open his account. He says his address wasn't correct – he was residing in a different country – and he should have been registered with eToro (Europe) Ltd rather than eToro (UK) Ltd. And Mr O says eToro didn't properly assess his knowledge and experience before allowing him to trade and the appropriateness questionnaire was poorly designed by not allowing him to confirm the veracity of the information he provided.

eToro refers to the appropriateness test in its risk disclosure document;

#### **'Appropriateness**

Before we open an account for you, we are required to make an assessment of whether the product(s) and/or services you have chosen are appropriate for you, and to warn you if, on the basis of the information you provide to us, any product or service is not appropriate. If you decide to continue and open an account with us, you are confirming that you are aware of and understand the risks.

Mr O completed eToro's 'know your client' – the appropriateness test – questionnaire when he opened his account. In that document he confirmed;

- He had attended trading courses for 'relevant knowledge in trading.'
- His trading strategy was to 'open positions for more than several months/years.'
- His primary purpose for trading was for 'additional revenues.'
- His risk reward expectations were '80%/-48%.'
- His annual income was between \$50,000 and \$200,000.
- He had between \$20,000 and \$50,000 to invest.
- His main source of income was from savings.
- He worked in computer/IT services.
- He answered a trading knowledge assessment question.

- He was going to invest in stocks.
- He had traded in equities between '0-10 times.'
- He had never traded in crypto assets.
- He had traded over 40 times in CFDs.
- His source of funds was from his savings.
- He had invested '\$2,000 +' in CFDs, '\$1-\$500' in equities but hadn't invested in crypto.

Mr O says the product wasn't suitable for him. But there's nothing in Mr O's responses that would, in my opinion, have caused eToro any concerns about whether its services were right for him. He was employed, solvent and had experience in trading. Mr O says he didn't state he had traded in CFDs over 40 times and that had been updated by eToro. But I have to consider the information and evidence presented to me. In any event, the fact that Mr O may not have previously traded in CFDs wouldn't necessarily have precluded him from starting to. In spite of what Mr O says is an incorrect reflection of his CFD experience at the time none of the above responses suggest that a CFD account wasn't right for him. And the rules allow eToro to rely on information given by a customer;

### **'Reliance on information**

#### **COBS 10.2.4R03/01/2018RP**

A firm is entitled to rely on the information provided by a client unless it is aware that the information is manifestly out of date, inaccurate or incomplete.'

There's nothing in Mr O's responses to the appropriateness test to indicate his answers were out of date, inaccurate or incomplete. And I've borne in mind eToro is an online only broker providing an execution only service. So, I don't think eToro was unreasonable or unfair in accepting Mr O's answers at face value and in good faith.

And eToro's terms and conditions – which Mr O agreed to when opening the account – make it clear that any trading is the client's responsibility;

- '3.5 The Trading Services which eToro UK provides is an execution-only service. This means that you will be responsible for all investment decisions and actions with respect to the trades that you enter into. This includes, but is not limited to, opening, closing, or not opening or closing, a transaction.'

The terms also highlight the general risks involved;

### **'5. The key risks of using our Services**

- 5.1 The risk of using our Services, is that you could lose all your money which you have deposited into your eToro account. Therefore you should not trade or invest money that you cannot afford to lose. It is important that you fully understand the risks involved before deciding to trade with us in light of your financial resources, level of experience, and risk appetite. If required, you should seek advice from an independent financial advisor.
- 5.1 The actual returns and losses experienced by you will vary depending on many factors, including, but not limited to, market behaviour, market movement, and your trade size.
- 5.2 The value of your investments may go up or down.

5.3 Past performance is not a guide to future performance.

....

5.5 More information on the risks associated with using each of the Services is set out in each Schedule, the General Risk Disclosure, and on our website.'

And the terms have a further section dedicated to 'The key risks of CFD trading':

'4.3 You should only trade CFDs if:

(a) you have sufficient and relevant knowledge about or experience in, trading in volatile markets;

(b) you have time to manage your transactions on an active basis;

(c) you fully understand how CFDs work (including all associated risks and costs), are aware that the use of margin or leverage creates greater risks,

(d) you understand that there are situations where we will be able to close out your transactions without giving you notice;

(e) you are trading with money you can afford to lose;

(f) you have a high-risk tolerance; and

(g) you want to gain short term exposure to a product/market.'

So, I don't agree with Mr O when he says eToro didn't disclose clear information about the risks. Mr O has also said eToro didn't provide information about the costs and functions such as stop losses. But looking at eToro's website I can see the 'eToro Academy provides free professional financial education for all levels' which includes tutorials such as 'All about CFDs' and 'how they differ from other assets. Learn about key concepts like Stop Loss, Take Profit, and Leverage in this video.' And all eToro's documents include risk warnings about the risk of trading;

'Past performance is not an indication of future results

General Risk Disclosure | Terms & Conditions

You should seek advice from an independent and suitably licensed financial advisor and ensure that you have the risk appetite, relevant experience and knowledge before you decide to trade. Under no circumstances shall eToro have any liability to any person or entity for any direct, indirect, special, consequential or incidental damages whatsoever.'

Mr O says eToro aggressively marketed CFDs despite them being unsuitable for him. As referred to above, I don't think there would have been any reason for eToro to have considered an account to be inappropriate for Mr O bearing in mind his responses to the appropriateness test. And eToro is entitled to market its products to account holders and it is the account holder's responsibility whether to take advantage of the products and services eToro offered.

In bringing his submission Mr O has referred to the Australian Securities and Investments Commission's ('ASIC') legal action to protect customers from high risk CFD products. However, when this service considers a complaint, it does so on its own individual merits

taking into account the particular circumstances of the complaint. So, I don't think any ruling or finding made by the ASIC is relevant to Mr O's complaint.

Mr O has referred to him inaccurately stating his country of residence when he opened his account and if it had been checked his account would have been covered by different regulations. He says that eToro now does check address verification upon account opening which he thinks highlights its failure when he opened his account. But looking at the account opening document provided by Mr O I note that neither proof of identification nor proof of address were required at the time. I appreciate Mr O says this has now changed but at the time eToro's account opening process meant it didn't need to verify the information he provided about his address so I can't agree it has done anything wrong.

Upon making his complaint, eToro decided to restrict Mr O's account as it identified him as being a vulnerable client so that he wasn't able to open new positions, just manage the positions that he already had open. And its ability to close an account was stated in its terms and conditions;

'26.4 We may also freeze, block, or terminate our Services and/or your eToro account if:

(a) we decide to stop providing you with Services."

I don't think eToro acted unfairly or unreasonably by doing so as it concluded its services weren't in Mr O's best interests. And it had an obligation to do so if it concluded Mr O was vulnerable. The FCA issued FG21/1 Guidance for firms on the fair treatment of vulnerable customers which outlines how firms should treat vulnerable and potentially vulnerable customers. The guidance set out expectations of firms and how they should identify and treat vulnerable customers. It was published to help ensure vulnerable customers receive the appropriate degree of protection and to experience outcomes that are in line with the outcomes received by other customers who may not be vulnerable.

And I don't think prior to his complaint eToro would have recognised Mr O as being vulnerable as evidenced by the appropriateness test responses and his trading. But once it did recognise this vulnerability it did end the relationship as outlined on its website 'where a customer's vulnerability is not immediately apparent/visible, information that is subsequently disclosed by a customer may lead to the exiting of a relationship.' I think in making his complaint this highlighted to eToro that the account may not have been right for him.

Taking all the above into account, I'm not persuaded that eToro has done anything wrong. It carried out the appropriateness test as I would expect to see and provided sufficient risk warnings that should have put Mr O on notice about the high risk nature of the products.

It follows that I don't uphold the complaint. I appreciate Mr O will be disappointed with the outcome. It's clear he understandably feels strongly about it, and I'd like to thank him for the time and effort he has spent in bringing his complaint. But I hope I have been able to explain how and why I have reached my decision.

### **My final decision**

For the reasons given above, I don't uphold Mr O's complaint about eToro (UK) Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 10 October 2025.

Catherine Langley  
**Ombudsman**