

## The complaint

Mr M says that eToro (UK) Ltd ('eToro') failed in its regulatory and legal obligations to protect him as a vulnerable customer. Because of this, Mr M has lost nearly US\$250,000. He says he is suffering from severe financial hardship and emotional distress for which he wants compensation.

## What happened

Mr M opened a Contracts for Difference ('CFD') trading account with eToro in June 2022 and started trading at the beginning of 2023. In December 2024 eToro sought proof of Mr M's source of funds. In response, Mr M made eToro aware of his circumstances and as a result he was classified as a Vulnerable Client and his account was closed.

Mr M believed eToro had breached its UK regulatory and legal obligations by not recognising his vulnerability, inadequately assessing the appropriateness of CFD trading for him, failing to scrutinise the source of his funds and acting unfairly towards him as a customer. He raised his concerns with eToro who responded on 26 March 2025 not upholding the complaint. It said;

- During trading there was nothing to indicate any condition that would have impaired Mr M's ability to make financial decisions.
- It had an ongoing obligation to ensure suitability.
- When opening the account Mr M had completed a combined Knowledge and Experience and Appropriateness test ('the Questionnaire') which Mr M passed and hadn't declare any vulnerabilities.
- Mr M only made eToro aware of his difficult personal circumstances after his last position was closed.

Dissatisfied with the outcome, Mr M brought his complaint to the Financial Ombudsman Service. Our investigator who considered the complaint didn't think eToro needed to do anything more. He said;

- He outlined Mr M's response to the appropriateness test and concluded eToro wasn't wrong in allowing the application to proceed.
- Mr M would have confirmed he read and understood eToro's terms and Risk Disclosure Notice explaining the high risk of leveraged CFDs.
- Mr M previously held a CFD trading account so was aware of the risks involved and had the necessary experience.
- Once aware of Mr M's vulnerability, eToro acted.
- A trigger was alerted on Mr M's account but fell below the trigger threshold before the review took place, so no action was taken.
- The 'club membership benefits' were open to all customers.
- If eToro hadn't complied with Mr M's Subject Access Request ('SAR') he should

direct any concerns to the Information Commissioner's Office.

Mr M didn't agree. He said;

- the investigator hadn't understood the figures behind the trigger of the 2024 internal review which allowed Mr M to overextend himself financially when eToro should have intervened.
- Because of Mr M's vulnerability he was susceptible to impulsive decision making and the Financial Conduct Authority's ('FCA') rules – Principle 6 and Consumer Duty – required businesses to proactively identify indicators of vulnerability. His increased deposits evidenced this and eToro pressured him to add more for 'club membership benefits'.
- There were inadequate appropriateness and suitability assessments and eToro's reliance on his self-disclosure was insufficient under the rules.
- His SAR was unresolved.

Mr M's response didn't change the investigator's opinion about the complaint. 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.

We provide an informal complaint handling service and this is reflected in the way I've approached the complaint. It's part of my role to identify and concentrate on the core issues I need to address in order to reach a fair outcome. This means I won't necessarily mention everything Mr M has brought to my attention and I've expressed some of his concerns in my own words. But I will comment on everything that I consider makes a difference to the outcome of the complaint.

And as already referred to in the above summary, Mr M has complained that eToro breached some of the FCA Principles. These have a wide application, and I have therefore considered all of Mr M's points with the Principles and rules in mind as a relevant consideration throughout my decision.

I'd like to take this opportunity to explain that I fully appreciate Mr M'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 M'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 FCA, but also the nature of the service it offered which involve a high-risk form of trading.

The crux of this complaint revolves around Mr M's status as a vulnerable client because of his personal circumstances he has told us about and whether the losses he incurred were caused by eToro inappropriately allowing him to open and continue to trade his CFD account.

As mentioned, eToro is regulated by the FCA which has rules that apply to CFD businesses which offer trading in higher risk products, 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 the rules, the Conduct of Business Sourcebook ('COBS'), COBS 10A.2.10 says that 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.

And for me to uphold this complaint, I must be persuaded that eToro was aware, or should have been aware, of Mr M's vulnerability, that the account wasn't appropriate for him and failed to act upon this.

So eToro had to gather relevant information of Mr M's financial situation, knowledge and understanding of investments, his investment experience and to establish if he understood the risks involved in the service and product offered – to decide if it was appropriate for him. This is the 'appropriateness' test. Mr M completed his application (and updates) online and provided eToro with the information it needed.

I have to make my decision based on the evidence presented to me and so I have reviewed the questions Mr M was asked when he opened his account in 2022 and the responses he gave to see if eToro was reasonable in allowing Mr M to open his account.

eToro has provided a screenshot of the 'Experience and Objectives Questionnaire' – the appropriateness test – Mr M completed in May 2022 and for which responses to certain questions were later updated which I have marked with an asterisk. Amongst other answers given, I can see that Mr M confirmed;

- he had attended trading courses,
- his trading strategy was to open position for a few weeks up to several months,
- his purpose for trading was future planning (children's education and his retirement),
- his risk/reward scenario was 80%/-48%\*,
- his net annual income was between \$10,000 and \$50,000\*,
- his cash/liquid assets were between \$50,000 and \$200,000,
- his intended investment with eToro in the next year was between \$200,000 and \$500,000\*,
- his main sources of income were savings, salary and rental income\*,
- he was employed in public services\*,
- he had traded leveraged CFDs between 10 and 20 times.

eToro was allowed by the rules to rely on the information given by Mr M in response to the Questionnaire;

'Reliance on information

COBS 10.2.4 03/01/2018 R

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.'

I've thought about this carefully and to my mind there's nothing in Mr M's responses to the appropriateness test Questionnaire 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 M's answers at face value and in good faith.

And I've also borne in mind that at the time the rules – COBS 10A.2.8G – allowed that a business may be satisfied that the client's knowledge alone was sufficient for them to understand the risks involved. And I'm satisfied eToro consistently provided risk warnings about CFD trading both on account opening and during trading.

Mr M's answers to the Questionnaire also indicated a knowledge and, in any event, I am aware Mr M previously had a CFD trading account with another business in 2021 for around a year where he suffered a significant loss. And when opening his account with eToro Mr M would have agreed to the General Risk Disclosure and Client Terms and Conditions which both highlighted the risk of CFD trading. So, I don't think it's unreasonable to conclude Mr M was fully aware of the risks involved in CFD trading when he opened his account with eToro and I can't see there was any reason for eToro to conclude that he didn't.

Once Mr M's account was opened with eToro, its responsibility towards him didn't come to an end. So, I've looked at the actions of both Mr M and eToro after his account was opened and thought about the degree to which it was fair and reasonable for eToro to have allowed Mr M to trade without intervention. While the regulator doesn't obligate firms to undertake ongoing appropriateness tests where consumers are trading complex financial instruments – even though it looks like eToro did – it does expect firms to have an awareness of its customers and their circumstances. While there aren't any specific rules covering this, it is covered more broadly under the regulator's Principles. And the two that are most relevant in Mr M's case are Principles two and six;

'Principle 2: Skill, care and diligence – a firm must conduct its business with due skill, care and diligence

...

Principle 6: Customers' interests – a firm must pay due regard to the interests of its customers and treat them fairly.'

And the regulator also expects firms to be alert to consumers who may be exhibiting behaviour of potential vulnerability and as such, may require a heightened level of care. Based on what Mr M has told this service, and which became clear to eToro in December 2024, it seems evident to me that he was a vulnerable customer because he had limited financial resilience when he told eToro of his mental health issues and his borrowing to finance his trading. Whilst I recognise that it's easy to spot this with the benefit of hindsight, I'm not persuaded that based on what eToro knew of Mr M and his circumstances, there were any warning signs of potential vulnerability that should have alerted it to the fact it should potentially intervene.

However, this did change in April 2024 when Mr M's deposits crossed eToro's threshold of US\$250,000 for his client risk classification which triggered an alert requiring a source of funds review. But there was a delay in the creation of the anti money laundering query by which time Mr M's account balance had dropped below the equity threshold for a review to take place, so no further action was taken. And by this time, Mr M had updated his Questionnaire on 12 December 2023 to confirm he planned to invest up to \$500,000 during the following year. So, despite eToro's delay in processing the anti money laundering query, which was later dropped because of the equity threshold for the account, those additional deposits alone wouldn't have prompted eToro to take any further action. And I think eToro's intention to intervene in April 2024 shows that it did monitor Mr M's account and it was only at the point that his deposit amounts were too out of line with his client risk classification that it needed to act.

Mr M says eToro should have recognised his vulnerability at an earlier date

because of high value and/or frequency of deposits. And Mr M says eToro should have validated the answers he gave about his financial circumstances. But my understanding is that for retail clients, such as Mr M, a full credit check isn't usually required so I can't find eToro at fault if it didn't carry one out. I appreciate Mr M was adding further deposits and incurring losses. However, by the very nature of CFD leveraged trading, the trader typically suffers large losses. But in and of itself this isn't unusual behaviour for leveraged trading and doesn't necessarily always indicate a consumer is vulnerable. eToro could only act on the information provided by Mr M, and from what I've seen, it acted in good faith based on what Mr M shared when he opened his account and during the relationship, until it was terminated.

eToro has told us that Mr M didn't select the 'vulnerable' option as part of the Questionnaire. While I recognise that by not selecting this option correctly may be the behaviour of someone who is financially vulnerable, but an opportunity was lost whereby eToro could have intervened if he had answered differently and in line with what he is now saying about his vulnerability. With this in mind, and considering Mr M's other responses to the Questionnaire, it would be difficult for me to see why eToro should have prevented Mr M from opening the account on this basis or identified him as a vulnerable customer any sooner, so overall, I don't think it needed to do anything differently or that it did anything wrong in allowing Mr M to open a CFD account and continue to trade.

So, I'm not persuaded that eToro is responsible for Mr M's losses. Mr M asserts those losses came about as he shouldn't have been able to continue to trade on his account because of his vulnerability. As mentioned, eToro has told us the first that it was aware Mr M considered himself to be vulnerable was on 27 December 2024 when he disclosed his mental health issues and that he was borrowing to support his trading activities. Once it was aware it stepped in to prevent foreseeable harm – in line with the requirements of Consumer Duty – and closed Mr M's account to trading.

Mr M has referred to pressure from eToro to deposit more funds by 'aggressive sales tactics' and to be eligible for 'club membership benefits'. I understand from eToro this was an ongoing loyalty programme for its clients which offered services and tools to improve their trading experience. As examples, this included subscription to financial press and articles, invitations to events and a dedicated account manager to assist with customer enquiries.

However, I don't find this unusual as many CFD platforms use an account structure/tiering system that rewards high-volume or high-balance clients with better features to enhance the service they offer. And I don't agree with Mr M that the allocation of an account manager meant the service eToro offered extended beyond the agreed execution only service to one of advised client. While eToro does provide educational tools and resources about CFD trading it doesn't offer personalised advice and I haven't seen anything to suggest that in this case it did. So, I'm not persuaded Mr M was put under pressure by eToro to add more deposits to his account in order to trade more than he would otherwise have done.

As stated above, for me to uphold this complaint, I must be persuaded that eToro was made aware of Mr M's vulnerability and failed to act upon it. In the absence of such evidence, I can't say eToro did anything wrong in allowing Mr M to open his CFD account and to continue trading on the account. And I can't agree that his subsequent trading behaviour would have given cause for concern earlier than when eToro was made aware of the impact the trading and the trading losses were having on him. It follows that I don't uphold Mr M's complaint.

I appreciate this will be disappointing for Mr M. Understandably he feels strongly about it and I would like to thank him for the time and effort spent in bringing it. But I hope I have been able to explain how and why I have reached my decision.

**My final decision**

For the reasons give, I don't uphold Mr M's complaint about eToro (UK) Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 February 2026.

Catherine Langley  
**Ombudsman**