

The complaint

Mr B says errors and excessive complexity in the services provided by Interactive Brokers (U.K.) Limited ('IBUK') caused him to make trades he didn't intend which cost him money.

What happened

Mr B had an ISA and a general investment account with IBUK.

On 17 December 2024 Mr B opened a short position in a stock he'd previously bought and sold. He did that by submitting an order to sell shares in the stock that he didn't own. On 2 January 2025 he opened another short position on a different stock.

On 2 March 2024 Mr B wrote to IBUK asking why his account showed positions in those two stocks when he'd sold them. He said he'd bought and sold the stocks in November and December 2024. He said it was unusual to see multiple orders for the same number of shares because usually orders were made according to monetary value, not number of shares. So he wondered whether a technical issue might have caused an order to be erroneously repeated. On 4 March 2024 IBUK replied saying the positions were showing in his portfolio because he had short positions open. It said Mr B *'might have short sold them on the account'*.

On 7 March Mr B called IBUK and discussed how he could exit the positions in his account. IBUK told him one of the positions was in profit because the share price had dropped. Mr B said that based on that he decided to *'sell'* the stock. He subsequently submitted sell orders for the two stocks. To his surprise his position wasn't close – it was doubled. He said IBUK hadn't told him that *'Sell meant Invest'*. He later said he didn't recall the detail of the conversation but he *'obviously failed to convey the fact that [he] was all at sea when it came to such transactions'* or else IBUK hadn't gone out of its way to help him.

Mr B messaged IBUK again asking for help to remove the positions from his account. IBUK said, *'... you had to place a buy trade to close the short positions. You can still place 'BUY' trades of equivalent quantity if you would like to close this position'*.

Mr B said IBUK didn't mention to him that it had a procedure to cancel a trade. And it should've been obvious that he'd made *'a mega-mistake through ignorance compounded by confusion'*. He said there were no safeguards in place to protect customers like himself from the risks of short selling.

On 10 March 2025 Mr B submitted a buy order for one of the securities in which he had a short position. IBUK executed the order and Mr B made a profit of \$733.80.

On 19 March 2025 Mr B wrote to IBUK explaining that he didn't understand short selling and saying it wasn't something he would do so he thought there'd been a technical error. IBUK replied that day. It explained that if Mr B placed an order to sell stock that he didn't already own then the order would be a short sell order. It also told him how to open an activity statement if he wanted to check his orders and his cash flow. And it said the following about how a trade that used margin affected the balance showing on his account:

'A short stock sale is a margin transaction in which the account holder is borrowing stock rather than cash. While the proceeds from the short sale are credited to the cash balance of the account, these funds must be posted with the lender of the shares as collateral to secure their return. Short selling is a trading strategy where investors borrow shares and sell them, hoping to buy them back at a lower price in the future.'

Finally IBUK provided links to information about shorting stocks. Mr B told this service the resources IBUK sent were somewhat helpful but they didn't *'describe the mechanics of the process of clicking 'sell' when you want to invest'*. He said he remained confused about shorting and didn't understand it.

On 24 March 2025 Mr B thanked IBUK for its explanation. He said it *'throws light on what happened and what 'shorting' means'*. he asked IBUK to look into things and try to reach a mutually acceptable resolution. He said he'd used margin at times in the past due to currency differences, but he was adamant he would never have chosen to trade using margin in this way. He was concerned that for short selling 'buy' and 'sell' had the opposite meanings to their usual meanings. And he was surprised there were no safeguards or warnings like the appropriateness tests that had to be taken before trading was allowed for some types of instruments. He said he'd looked at the website of this service and he wanted IBUK to look into things and try to reach a mutually agreeable resolution.

IBUK said it could take up to eight weeks to deal with his concern. So Mr B decided that to mitigate any losses he would close his remaining short position without waiting to see what resolution IBUK might propose. On 30 March 2025 he submitted a buy order. IBUK executed the order and Mr B made a loss of \$780.19.

On 4 April 2025 IBUK replied to Mr B's letter of 24 March 2025 which it had treated as a complaint. It didn't uphold the complaint because it said Mr B had submitted his orders on his own volition and IBUK wasn't responsible for them. In summary it said the following:

- When Mr B opened his IBUK account in June 2024 he completed a disclosure about the risks of margin trading. That allowed one of his accounts to operate as a margin account.
- During the application process Mr B had said he had more than 10 years' experience trading on margin and he'd done between 26 and 50 trades a year on margin. And he completed a *'margin quiz'* which showed he had *'good'* knowledge of the risks of margin trading.
- To avoid the possibility of trading on margin in future Mr B could ask IBUK to convert his trading about to a cash trading account if he wanted to.

Mr B wasn't satisfied. He referred his complaint to this service. He said he'd opened his portfolio to find an entry in his cash balance which he thought was a technical error. IBUK said he shorted two stocks but that was a type of transaction he never did and knew very little about. He estimated he'd lost about £12,000 as a result of the trades he mentioned.

Mr B also provided information about a further issue he'd experienced whereby he tried to place an order to sell stock he owned and IBUK's system said the order he was trying to make was a short sale and the account he was using didn't allow short sales. He said he wrote to IBUK about it but IBUK said it saw no evidence of the attempted order.

Mr B also said he'd now decided to stop using IBUK's services. He didn't understand or enjoy trading with IBUK.

IBUK told this service it had checked its system and Mr B's order history and it didn't see that any system error had occurred. It said the orders Mr B had submitted had been executed according to the instructions in the order.

One of our Investigators looked into Mr B's complaint. In summary he said he'd seen no evidence that showed IBUK had treated Mr B unfairly. He said IBUK provided an execution-only service which meant it was responsible for carrying out Mr B's instructions and Mr B was responsible for deciding what instructions (or orders) to give. And IBUK had made that relationship clear in its terms and conditions which Mr B had agreed to when opening his accounts, and IBUK had been entitled to refer to the terms and conditions when responding to Mr B's complaint. The investigator understood Mr B felt IBUK's language hadn't been clear enough to help resolve his issue, but the investigator hadn't seen that IBUK had been deliberately unhelpful or failed to respond reasonably to him.

The investigator also said the losses Mr B made on trades in question were less than Mr B had estimated. He said that overall the trades Mr B had complained about had yielded a realised loss of \$46.39.

Mr B didn't agree with the investigator's view. He maintained that IBUK hadn't been clear enough and hadn't helped him when he'd asked. And he said he had good reason to think technical errors had occurred on IBUK's platform even if he also might have made a '*slip of the mouse*' initially too. And he said the \$12,000 he'd lost was the money IBUK had lent him as margin which he hadn't wanted.

Because no agreement could be reached, the complaint was passed to me to review afresh and make 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.

Having done so, I'm not upholding the complaint. I'll explain why.

The purpose of this decision is to set out my findings on what's fair and reasonable, and explain my reasons for reaching those findings, not to offer a point-by-point response to every submission made by the parties to the complaint. And so, while I've considered all the submissions by both parties, I've focussed here on the points I believe to be key to my decision on what's fair and reasonable in the circumstances.

IBUK has said its platform performed as intended and carried out Mr B's orders as submitted. I haven't seen any evidence to show this wasn't the case. Mr B had previously bought and sold shares in the same securities he '*shorted*' in December 2024 and January 2025. And he's said the number of shares he tried to sell in December 2024 and January 2025 were the same numbers he'd previously bought which made him suspect an error. Mr B acknowledged he couldn't specifically remember making the sell orders. Taking everything into account I find it's more likely than not that Mr B submitted sell orders without realising he'd already sold the stock he was attempting to sell. He's said he might have suffered a '*slip of the mouse*' and clicked '*sell*' without meaning to. And so IBUK's system treated the orders as short sell orders. I accept that that is also a possibility. And on balance I don't have sufficient basis to make a finding that there was a technical error by IBUK.

In relation to the further trade Mr B said he attempted to make after he'd already complained to IBUK, I don't doubt Mr B attempted to make the trade in the way he said and that he received an error message from IBUK saying he couldn't make a short sell on the account

he was using. Although IBUK told him it couldn't see that order, I don't find that particularly unusual since the order couldn't actually be submitted – so it wouldn't be recorded as an order in the way a submitted order was recorded, and it wouldn't be recorded as a transaction because the transaction was unable to take place. I know Mr B had more than one account and IBUK said one of his accounts allowed margin trading but not all accounts allowed that. So overall when I take this further incident into account I still don't find I have a sound basis to conclude that IBUK's system was experiencing technical errors which caused Mr B to open short positions.

Mr B expressed surprise over what he perceived as a lack of warnings and safeguards around making trades on margin. But IBUK pointed out to him that before he'd been given access to margin in one of his accounts he'd received risk warnings about it and had answered questions about it, and his answers had indicated that he'd used margin before and he knew what it was. IBUK said it was on that basis that Mr B was given access to margin in one of his accounts. And Mr B's description of what he saw in his account when he had short positions open shows that IBUK's system did make clear that margin was active on his account once he'd opened a trade that used it. So overall I don't think it'd be fair to say IBUK failed to provide enough information about margin trading and its risks either before or after Mr B made an order for a short sell. I note that when Mr B said he was having difficulty with margin trading IBUK told him he could have the margin facility removed from his account if he preferred.

Once Mr B realised he had positions in his account that he hadn't wanted to open, he reached out to IBUK for help, on 2 March 2024. As our investigator said, IBUK wasn't responsible for Mr B's trading decisions. But to be fair and reasonable I'd expect it to give him appropriate help when he had trouble using its system, particularly when he said the trades he was making were not what he'd intended to do. So I've looked carefully at all the information Mr B's very helpfully provided showing the interactions between him and IBUK. Having done so I'm satisfied IBUK acted reasonably in response to Mr B's requests for help.

In response to Mr B's first approach which simply asked why he had positions open after he'd submitted sell orders, IBUK said simply (and correctly) that the positions were short sell positions. But as Mr B's requests increasingly showed that he didn't understand what short selling meant or what he could do about it, IBUK's responses became correspondingly more detailed and better targeted to Mr B's particular information needs. By 7 March 2024 IBUK had told Mr B clearly that to close the short sell positions he had to submit a buy order. Although Mr B said he continued to be confused by short selling after that, he was at that point sufficiently clear about it that he knew how to close his short positions. He closed one of them on 10 March 2024.

It was unfortunate that earlier on 7 March 2024 Mr B thought he had to 'sell' his short position in order to close it. He said he decided to do that on the basis that IBUK had told him that day that the position was in profit because the stock price had dropped. Mr B later said that although he couldn't fully recall his conversation with IBUK that day he had the impression it had told him to 'sell' the position. I can understand why Mr B would've formed that impression. IBUK had communicated to Mr B that he had the opportunity to close the position that day and make a profit. But I don't think on balance it's likely IBUK would've said he should 'sell'. Not only was IBUK not set up to give investment advice because it was an execution-only broker – but IBUK would also have known that to close a short position Mr B had to buy stock to replace the stock that he'd already sold without having owned it. It was unfortunate that IBUK didn't give the exact instruction Mr B needed for him to know what to do at that point. But I'm satisfied IBUK was trying to help and it didn't give him any information that was wrong. As I've said, when IBUK then realised what Mr B needed to know it told him simply that he had to buy stock to close a short position. And he was then able to do that.

Mr B's made a number of comments about the use of the word 'sell'. He's said that for the purposes of shorting stocks 'sell' appears to mean 'buy' or 'invest'. I can see where Mr B is coming from with these comments. Short selling may seem to work 'backwards' because shares are sold without having been bought, and then it's the purchase of the shares to replace those that were sold that closes down the position in the customer's account. But to close a short position is not the same as selling it or selling stock. Although the concept of short selling can be difficult to grasp, IBUK is entitled to offer a short selling service. I haven't seen that IBUK said that a short position should be closed by 'selling' it. And I haven't seen that IBUK said that short selling a stock was the same as 'investing' in the stock. The explanations I've seen from IBUK about short selling were clear and correct. And as I've said IBUK did provide warnings and an appropriateness check before offering margin trading to Mr B. Considering these things and all the circumstances of this complaint I haven't seen any basis to conclude that IBUK's short selling service was so complex that Mr B couldn't fairly use it.

I've thought about the loss Mr B experienced as a result of the trades he's complained about. I'm not persuaded it was caused by any failings by IBUK. But I want to note for Mr B's benefit that I've looked into this and I agree with our investigator that the loss Mr B incurred on the trades wasn't as great as it might have appeared to him. Mr B mentioned \$12,000 which he said IBUK lent him as margin and which he hadn't wanted to borrow. I understand and accept that Mr B didn't want to trade on margin. But I hope he can be reassured that the fact he used margin doesn't mean the margin amount became an actual loss for him. Once Mr B closed his short positions by buying stock to replace the stock he'd sold as a short sell, he was no longer in the position of borrowing anything from IBUK. The profit or loss he was left with after closing the short positions was related to the price difference in the stocks he'd sold and bought. The overall financial outcome for Mr B of the trades he's complained about was a loss of \$46.39 – it wasn't a loss of anything he'd unintentionally borrowed from IBUK because what he'd borrowed had been 'paid back' when he closed his positions.

I understand Mr B couldn't fully recall making the trades he's complained about. And I accept that short selling wasn't something he usually did or wanted to do. But these things don't give me enough of a basis to be able to conclude that IBUK made a mistake or that any excessive complexity in its services unfairly confused Mr B.

I am sorry to know he's been frustrated by his trading experience. I certainly sympathise with the trouble he had navigating the situation. But I can't conclude that any losses he suffered or frustration he experienced were caused by any failings on the part of IBUK. So I'm not requiring IBUK to do anything.

My final decision

For the reasons I've set out above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 October 2025.

Lucinda Puls
Ombudsman