

## The complaint

Mr B has complained that StoneX Financial Ltd, trading as City Index ('City'), shouldn't have allowed him to continue to trade on his contracts for difference ('CFD') trading account. He says the amounts he deposited were too high for his financial circumstances. Mr B has suffered a financial loss for which he wants compensation.

## What happened

Mr B opened a CFD trading account with City in July 2017. When Mr B made City aware of his financial vulnerability in November 2021 his account was restricted and then closed. Considering his financial circumstances Mr B wasn't happy he had been allowed to trade CFDs to the extent that he did and raised his concerns with City. In response it said;

- Mr B had confirmed he understood and accepted the risk of CFDs when he opened his account.
- The account was execution only and it relied on the information Mr B had provided regarding his personal circumstances.
- Mr B's trading activity was within his stated means, was not unusual and didn't require additional attention.
- It had correctly closed Mr B's account because of the personal circumstances he had made it aware of.
- It offered £150 as a gesture of goodwill.

Mr B wasn't happy with the outcome and brought his complaint to the Financial Ombudsman Service. He told us he had lost his life savings, had got into credit card debt which had impacted him and his family and massively affected his mental health. He said his deposits should have been flagged and he should have been contacted by City.

Our investigator who considered the complaint didn't think City needed to do anything more. She said;

- She detailed the rules that applied to such accounts and that City was able to rely on the account opening information he provided.
- In 2017, 2018 and 2021 Mr B's deposits fell within range of his declared assets.
- In 2018 Mr B sought Elective Professional Client ('EPC') status and his declared savings and investments had significantly increased. The higher deposits in 2019 and 2020 were consistent with that.
- There wasn't any evidence of repeated rejected card payments or conversations with City to give cause for concern and there was nothing to suggest it was aware of his financial vulnerability.
- City had offered Mr B £150 in response to his complaint but because the investigator didn't uphold the complaint she couldn't conclude this needed to be paid.

Mr B didn't agree with the investigator and disputed he had ever applied for an EPC account or given the information City said he did during that application. He asked that his complaint be reviewed by an ombudsman, so it has been passed to me for 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 conclusions 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 accept and understand Mr B's strength of feeling about his complaint, and I sympathise with the financial impact his trading losses with City have had on him and are likely still having on him. However, when looking at the circumstances surrounding Mr B's complaint, my role is to be impartial and consider what's fair and reasonable. This means taking into account City'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 crux of this complaint revolves around Mr B's status as a vulnerable client because of the financial circumstances he has told us about and whether the losses he incurred were caused by City inappropriately allowing him to open his CFD account and allowing him to continue to trade.

As mentioned, City 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 10.2.8 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 City was aware, or should have been aware, of Mr B's vulnerability and failed to act upon this. So, I've reviewed the information Mr B was given when he opened the account – and subsequently – as well as the information he provided to City about his circumstances as part of the appropriateness test.

When Mr B completed City's appropriateness test in 2017 he said the following;

- He was employed and earning between £25,000 and £49,999.
- He had savings and investments of between £5,000 and £49,999.
- He had 'Frequently' ('50 or more') traded spread bets, CFDs or margined FX in the previous 12 months.
- He didn't have work experience that provided him with a good understanding of trading spread bets or CFDs or qualifications to assist him in his understanding.
- He confirmed he understood that;
  - leveraged products and their performance may be volatile,
  - it was his responsibility to monitor and manage his account and

- he understood that when trading leveraged products it was possible to lose more than his initial investment.

City's General Terms make clear that all information provided by a customer must be accurate and not misleading and the FCA's rules allow City to rely on information given by a customer;

'Reliance on information

COBS 10.2.4 01/11/2007 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.'

While City could have asked further questions about Mr B's knowledge and experience, there's nothing in Mr B's responses to the appropriateness test to indicate his answers were out of date, inaccurate or incomplete. And I'm aware that Mr B did have previous CFD trading experience with another broker so if City had asked further questions, I think any responses Mr B would likely have given about his experience and knowledge would have been satisfactory so I don't think the outcome would have been any different. Overall, Mr B was employed, solvent and had experience in leveraged trading. And I've also borne in mind City is an online only broker providing an execution only service so, I don't think City was unreasonable or unfair in accepting Mr B's answers at face value and in good faith.

So, I don't think City did anything wrong in allowing Mr B to open a CFD account. And I'm satisfied City consistently provided risk warnings about CFD trading both on account opening via the Agreement's General Terms Risk Notice;

#### 'RISK NOTICE

We provide services for trading derivative financial contracts. Our contracts are traded on a margin or leverage basis, a type of trading which carries a high degree of risk to your capital. The price of the contract you make with us may change quickly and your profits and losses may be more than the amount of your investment or funds. If you do not hold sufficient funds to meet your margin requirements, then we may close your open positions immediately and without notice. Please read the Risk Warning Notice in Annex 1 carefully to understand the risks of trading on a margin or leverage basis. You should not deal in our contracts unless you understand and accept the risks of margin trading. Trading in these products may not be suitable for everyone.'

And warnings were also provided in its Disclosure Notice and on every communication it had with Mr B as well as appearing on all its web pages. And as mentioned Mr B had previously had a CFD trading account with a different business so considering his experience he would reasonably have been aware of the risks involved.

Mr B has said the amount he deposited should have raised a flag with City for it to consider his financial circumstances further. In the five years Mr B's account was open the following deposits were made;

2017	£7,000
2018	£6,000
2019	£27,000
2020	£49,000

2021	£16,500
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Clearly there was a significant increase in in 2019 and 2020 which while still within Mr B's 2017 income and savings and investment range, I note Mr B had updated those figures in July 2018 when he sought EPC account status. Mr B has told us he has no recollection of this or completing the application. He disputes this happened or that he provided the information City says that he did. But looking at the screenshots, I'm persuaded by the evidence City has provided.

I say this because it would have been for Mr B to proactively seek out and complete the EPC application on City's website, so I don't find it unreasonable to conclude that the answers originated from him. And City is a regulated business and must provide this service with any information requested and I haven't seen anything to suggest that the information and evidence it has provided is inaccurate or not a true contemporaneous reflection of what happened.

And while I appreciate Mr B disputes the application, I can only make my decision on the information and evidence presented to me. And when that evidence or information is missing or contradictory – as in this case – I have to base my decision on the balance of probabilities and what I think more likely happened considering the overall circumstances of the complaint. And I think it's more likely Mr B did complete the application even if he has forgotten now that he did so.

Opting up to an EPC account loses some of the retail investor protections so the business has an obligation to seek further information about a customer's circumstances. As part of the application Mr B had to declare his financial criteria which its recorded had increased to between €50,000 and €99,0000 and his savings and investments to between €500,000 to €1m. Mr B failed three criteria which were trading experience, portfolio size and an incomplete section of the form about his professional experience. City sought more information from Mr B about this, but nothing was received back from him and his EPC application wasn't progressed any further.

I've thought carefully about this but at that time – since the initial account opening – Mr B had deposited £11,000 during that period and his running profit and loss on his account was positive with a profit of £623.03. So well within his income/savings levels. And because of this City said it no concerns were raised at this point.

And I'm persuaded that is a reasonable conclusion for it to have reached. There's no evidence of financial vulnerability or that Mr B was over stretching himself. And while Mr B chose not to continue with his EPC application there's no reason for City not to have relied on the updated financial information he provided in July 2018 as allowed by the rules. So, I don't think that his higher than usual deposits in 2019/2020 would or should have caused any concern with City.

I'm not persuaded that City is responsible for Mr B's losses. Mr B asserts those losses came about as he shouldn't have been able to deposit as much as he did without questions being asked about the source of funds which he says came from his life savings, credit card debt and borrowing. But I'm satisfied City wasn't aware of this and Mr B's financial circumstances – his income and savings – during the account opening stage and subsequent trading behaviour wouldn't have given City any cause for concern. Once it was aware of Mr B's declared vulnerability it closed his account, in line with its Terms and Conditions, and to prevent any foreseeable harm which it has an obligation to do.

As stated above, for me to uphold this complaint, I must be persuaded that City was made aware of Mr B's financial vulnerability and failed to act upon it. Mr B didn't express his

concerns until November 2021, and I can't see there was any reason for City to have considered Mr B to have been vulnerable prior to that. Trading losses alone wouldn't necessarily identify vulnerability, and his deposits didn't exceed the higher range of his income and savings declared in 2017 and well within the 2018 updated range.

In the absence of such evidence, I can't say City did anything wrong in allowing Mr B to open his CFD account and to continue trading on the account. And I can't agree that his subsequent deposits would have given cause for concern earlier than when City took action after being made aware of the impact the trading losses were having on Mr B. It follows that I don't uphold Mr B's complaint.

In response to Mr B's complaint City offered him £150 as a gesture of goodwill. If that offer is still open, it is for Mr B to decide whether to accept it.

I appreciate that Mr B will be disappointed with the outcome of his complaint. It's clear he understandably feels strongly about it and I'm sorry for the position he is in. But I hope I have been able to explain how and why I have reached the decision that I have.

### **My final decision**

For the reasons given, I don't uphold Mr B's complaint about StoneX Financial Ltd, trading as City Index.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 February 2026.

Catherine Langley  
**Ombudsman**