

## The complaint

Mr I complains that Interactive Brokers (U.K.) Limited (“IB”) didn’t disclose costs associated with some trades he placed. He wants IB to refund the losses he made on the trades.

## What happened

Mr I held an account with IB through which he traded in various assets. Between April and July 2024 Mr I placed four particular trades – a purchase and then a sale of a corporate bond I’ll call A, and a purchase and sale of another corporate bond I’ll call B.

In August 2024, Mr I complained to IB. He said the trade tickets on IB’s app had given figures for the proceeds of each trade which meant he’d thought he’d made a profit on both bonds. But after consulting his statements he discovered he’d made a loss. He said this was because IB had failed to disclose the accrued interest (“AI”) payable either by or to Mr I on each bond transaction. He said IB had failed to tell him the AI wouldn’t be shown on the trade ticket, and as a result he was induced into making trades he otherwise wouldn’t have done. He asked IB to refund him his losses.

IB didn’t uphold his complaint. It said AI was a normal function of trading bonds between the dates on which they paid interest (the coupon dates). It said when placing a trade Mr I could preview his deal and this preview tab would show the AI due on the trade. And it said this was detailed in the FAQs on its website.

Mr I wasn’t happy and came to our service. He said IB had changed its systems – he said now the information it referred to in its response was showing on the platform. But at the time of his trades earlier in 2024, the preview tab hadn’t shown AI and the detailed FAQ wasn’t on the website. He said IB did show AI for certain bonds such as US government bonds at the time, but not for certain European corporate bonds like A and B.

One of our investigators considered the matter and didn’t think IB needed to compensate Mr I. She thought IB had provided Mr I with enough information about the bonds in order for him to trade.

Mr I didn’t agree and asked for an ombudsman’s decision. He made a number of detailed submissions, which in brief said:

- IB didn’t show AI at the time, and changed its app after his complaint.
- Failing to disclose the AI breached various laws and regulations, including FCA COBS rules, FCA Principle 7 and the Consumer Rights Act 2015.
- It wasn’t enough for IB to show AI on his statements, he needed to know it before choosing to trade in order for him to give informed consent to a given trade.
- The investigator hadn’t properly considered his evidence about the lack of AI shown at the time of his trades, and hadn’t explained why she didn’t consider his evidence to be relevant.

I issued a provisional decision in which I said:

I would start by saying that while I've summarised Mr I's submissions very briefly above, I can confirm that I've read and considered everything that he's sent in its entirety. My decision won't touch on every individual point he's raised, as that's not its purpose. My decision is intended to give my conclusions and reasons for reaching them.

Mr I has referred to various laws and regulations – and I'm obliged to have regard for all relevant rules, regulations, and laws (amongst other things) when deciding what is fair and reasonable. In the main Mr I has alleged IB failed to adhere to FCA rules on disclosure and clear communication, and legal principles of misrepresentation.

Taking everything into account, I think there are in reality three questions to answer in order to determine this complaint. What Mr I was told about AI at the point of the trades he's complained of, what IB *should* have told Mr I about AI, and to what extent any failing caused the losses Mr I is now claiming.

### ***What information Mr I saw***

Mr I says AI information about a trade was important as it impacted on the profitability of a trade. AI reflects the interest built up on a bond between the last coupon payment and the time a transaction takes place. Any given coupon payment is made up of interest accrued continuously since the last payment. So when a transaction takes place in between coupons, the seller of the bond is due the portion of the coupon payment which relates to the amount of that coupon period during which they held the bond. This means when buying a bond between coupons, you will need to make a payment to the seller to account for the AI, and when selling a bond you would receive any AI for the period you held it.

There's been dispute about what IB displayed at the time of the trades in question. IB has shown screenshots of trade ticket previews which show AI on a trade. And it sent a copy of an FAQ page which explains that prices don't include AI, but that this can be seen on an order preview.

Mr I has sent his own screenshots, which he says show that at the relevant time in 2024, IB didn't show AI on the preview screen for all instruments. He says it was only for certain bonds, and not the two he'd traded in.

Based on everything I've seen, at this point I am persuaded by Mr I's submissions. I've seen persuasive evidence of trade tickets in the bonds Mr I traded, which don't show AI before a trade was entered. I currently think it's more likely than not that Mr I is right – in that IB's platform didn't include AI on the preview for some bonds, and that it has changed its system since Mr I's trades and complaint were made.

Similarly, some of the FAQ pages IB referred to were published after Mr I's trades. I have however seen a page published in late 2023, which I'm satisfied would have been on the website when Mr I traded. This page is titled "*Are the prices I see 'clean' or 'dirty' for U.S. Government bonds?*".

The page goes on to say the prices on IB's platform "*are displayed without accrued interest*". And that "*once you execute a trade*" the activity statement for an account will show the AI payable to or from the investor alongside the other details of that trade.

So currently I find that this FAQ page is the only pre-trade information about AI Mr I

would have seen from IB. I have seen copies of the trade confirmation for the four trades, as well as the activity statements Mr I would have had access to on IB's platform, and I'm satisfied that all of these clearly showed the AI Mr I had paid or received on each trade.

### ***What IB needed to tell Mr I***

I've considered this very carefully. Mr I is right that IB needed to ensure it communicated with him in a way that was "*clear, fair and not misleading*" in line with COBS 4.2.1R. And there are specific rules about costs disclosures for investments. As IB was here transmitting orders in financial instruments, this constituted *MiFID Business* and so the relevant disclosure rules are found at COBS 6.1ZA. COBS 6.1ZA.14UK says that firms need to provide details of costs and charges, and says that the costs to be disclosed are given in COBS 6 Annex 7UK.

That Annex gives a table of "*costs and associated charges related to the financial instrument that should form part of the amount to be disclosed*". Included in the table are "*all costs and charges that [are] incurred as a result of the acquisition and disposal of investments.*" The examples given for such charges are broker commission, charges for entering and exiting a fund, stamp duty and foreign exchange costs (among other things).

I'm not persuaded that COBS 6.1ZA.14UK read with COBS 6 Annex 7UK means that IB was obliged to disclose the AI before Mr I traded. I say this because the AI isn't a cost as such or in the same way that the other examples are. The AI in effect is part of the price of the instrument, it isn't a charge payable for some other service or management related to the instrument. It's part of the price payable for the instrument itself, which I don't consider to be captured within the charges given in the Annex. I think this is supported by the fact that when selling a bond the AI becomes an additional sum the trader receives, rather than an amount payable by him/her.

So I don't think there was a specific regulatory obligation to disclose AI. I've thought carefully about whether, more generally, it was misleading for IB not to include it.

AI is a fundamental feature of trading a bond between coupon dates. IB has shown that in order to trade bonds Mr I had to agree to having read its bond trading disclosure statement. This document says at the beginning that "*Before trading any particular bond, you should understand the exact terms and conditions of the bond, including its credit rating, its maturity, its rate and yield, whether it is callable, and other relevant information.*"

And as I've mentioned above, within its FAQs at the time was a page which explained (albeit in relation to U.S. bonds) that IB's bond prices wouldn't include AI, but this information would be viewable on statements after a trade.

I've also borne in mind that the AI due to be paid or received is something a trade can quite feasibly work out based on the publicly available information about the coupon dates and percentage interest payable on a bond.

I've also considered the London Stock Exchange's own guidance around accrued interest – in a paper called "*ORB – Accrued interest – a guide for private investors*". This document says that "*following the standard quoting convention in the professional bond markets, prices on ORB are quoted on a 'clean' basis. A 'clean' price is one where accrued interest is not included.*"

The price IB quoted was indeed the price of the bond – but it was the clean price. This was in line with industry standards. IB had told Mr I that he needed to ensure he familiarised himself with the features and details of a bond before trading it. And included information on its website that told Mr I bond prices didn't include AI. I'm therefore satisfied IB gave clear, fair and not misleading information about the bonds tradeable on its platform.

I say this mindful that IB may have included AI in previews for some bonds but not others, and that it's changed its app since. The fact that IB now provides more useful information for traders doesn't necessarily mean that the information it provided before was insufficient.

There are other situations where platforms don't disclose all the details of a trade before one is entered, where that information may be relevant to an investor's decision making. When placing a market order, for example, a trader won't know the exact price they will receive for buying or selling a security.

Taking all this into account I'm not currently persuaded IB's trade information was misleading, or otherwise unfair or constituted a misrepresentation of Mr I's intended trades.

But if I'm wrong here, and IB ought to have disclosed AI before Mr I traded, and it didn't do that, then I still don't think it follows that Mr I's complaint should be upheld. I'll explain why.

### ***Causation***

Even if I agreed that IB ought to have disclosed AI and didn't, in order to uphold Mr I's complaint I would need to be satisfied that this had caused Mr I a loss. In this case that would mean identifying trades Mr I placed, which he wouldn't but for the lack of AI at the point of trading, which resulted in losses. I'm not persuaded that this is the case here.

As I've said, Mr I agreed to ensure he understood the features of a bond before trading, and had access to IB's FAQs which included information on clean and dirty prices. And Mr I himself has told us that AI was shown on US bond trade previews, but not on the tickets for A and B at the time he entered the trades. When considering all that, I think it's more likely than not that Mr I knew, or ought to have known, that AI would be payable to or from him when placing trades in corporate bonds. I don't think the absence of a figure showing how much the AI was means Mr I ought reasonably to have considered that there wasn't any AI involved in the transaction.

I've also seen nothing to suggest that, even if Mr I had been aware of the AI payable on the first trade he placed in April 2024, he wouldn't have placed it anyway. For the subsequent trades – the sale of A and both trades in B – I think the position is even starker. After placing his first trade in A Mr I would have been able to view a trade confirmation and his activity statement on IB's site. Both of these clearly showed the AI Mr I had incurred in buying the bond. So from that point I think it's indisputable that Mr I knew that trades in these bonds involved AI. And so I don't think there's a logical argument that a lack of AI information on the trade tickets for the subsequent trades *caused* Mr I to place them when he otherwise wouldn't have done.

So in conclusion, I provisionally find that:

- IB didn't show Mr I the AI amount when he placed these four trades.

- It wasn't unfair or unreasonable for it to have omitted that information.
- Even if it was, I'm not persuaded the omission caused Mr I's losses.

IB didn't respond to my provisional decision. Mr I did, disagreeing with my conclusions and saying, in summary:

- The fact IB showed AI on the trade ticket for some bonds, but not others, naturally led Mr I to conclude that AI wasn't payable for those trades where it wasn't shown.
- The FAQ about "clean" vs "dirty" bond prices wasn't available at the time of Mr I's trades.
- Many other brokers include AI figures before the point a trade is executed and confirmed.
- The fact IB changed its app after Mr I's complaint shows a tacit acceptance that the previous version wasn't adequate.
- My conclusions about what Mr I ought to have understood about bonds and AI suggests a level of understanding more akin to a professional investor than a retail client like Mr I. IB ought to have provided more detailed and clear information to retail clients.
- The loss Mr I suffered on his first trade was a direct result of miscalculating the profitability of the trade due to the lack of AI displayed. All his other trades were induced by the same lack of information.

### **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 not been persuaded to depart from my provisional conclusions, and so I make them final.

I've thought carefully about Mr I's response to my provisional decision, but it hasn't changed my mind. For the reasons in my provisional decision I'm still not persuaded there was an obligation under the specific disclosure rules applicable to IB to tell Mr I how much AI was payable before he placed a trade in a bond where such an amount would form part of the transaction.

And I remain of the view that IB's information presentation was consistent with its obligations to provide Mr I with information that was clear, fair and not misleading. I say this mindful of Mr I's points about being a retail client – and I've considered what IB told him very carefully in that context.

Mr I was a retail client, but he'd also agreed that he'd read a disclosure notice for trading bonds with IB that said he acknowledged he needed to "*understand the exact terms and conditions of the bond*". And I'm not persuaded that the concept of accrued interest – or that it would be paid or received when buying or selling a bond between coupon dates – is a particularly hidden, subtle, or uncommon feature of trading in a bond.

The periodic payment (via a coupon) of interest which is accrued daily is a fundamental and defining feature of a bond. I don't think knowledge of or understanding of AI takes any

particular experience or expertise, and is central to understanding the value of a bond's price (where that price is given without factoring in AI). In my view these are things a retail client, having committed to understanding the features of a bond before choosing to trade in one, ought reasonably to have understood.

As I said in my provisional decision, the fact IB's prices would be given "clean" without AI was also detailed in one of its FAQs titled "*Are the prices I see 'clean' or 'dirty' for U.S. Government bonds?*". While Mr I says this page wasn't available to him, but the last modified date on the page is given as 28 November 2023 – well before the trades about which Mr I complains. On balance I think it's more likely than not this page was available when Mr I traded. This page told Mr I that IB's prices are displayed without AI, but that the AI paid or received would be viewable on his statement.

I'm also not persuaded that it was misleading for IB to show AI on trade tickets for some bonds but not others. While I acknowledge that the different presentation is unhelpful, for the reasons given here and in my provisional decision I remain of the view that Mr I, as a retail investor, ought reasonably to have known that trading in a bond would involve the payment or receipt of AI.

For largely the same reasons, I also don't think IB's later decision to change its app means this complaint should be upheld. Just because a firm improves its product or service it doesn't automatically follow that the previous service was unreasonably deficient.

I've considered Mr I's point that a number of other brokers show AI at the point of trade. I'm obliged to take into account good industry practice at the time, where its relevant. I'm satisfied that there are a range of approaches taken by other firms – some showing AI and some not. Some displaying clean prices and some bundling the AI into "dirty" quotes. Overall I'm not persuaded that the approaches of other firms lead me to conclude IB fell short or acted unreasonably in the way it displayed AI before and after trades were carried out.

As I said in my provisional decision, even if I am wrong about whether or not IB ought fairly to have shown the AI figure to Mr I before he traded, I remain unpersuaded that this caused him the losses he's claiming for.

As I've concluded above, I think Mr I ought reasonably to have understood that trading bonds would involve AI. So I don't think the way in which IB did or didn't display that AI figure for a given trade could have unfairly caused Mr I to place a trade he otherwise wouldn't have done.

This is particularly the case for all the trades after Mr I's first trade in A – because he would immediately have had access to a trade confirmation which told him he'd paid AI as part of the overall transaction. I can't reasonably conclude that after that it was in any way reasonable for Mr I to think future bond trades wouldn't involve AI.

For the initial trade in A, as I've said I think Mr I already had enough information to understand AI would be payable. But if I didn't think that, I'd also have to be persuaded that Mr I wouldn't have placed the trade, and instead would have done something that would have left him better off than this particular trade did. Mr I hasn't explained that the amount of AI payable would have made him reconsider placing this particular trade. And given Mr I knew (or ought to have known), after that first trade, that AI was payable, and continued to place further trades, I find that persuasive evidence that the AI wasn't critical to his choices of which trades to place.

And given the speculative nature of trading in direct shares, bonds and foreign exchange – the assets Mr I traded with IB – I think on the balance of probabilities it's as likely as not that

any alternative trade he'd placed would have left him in the same financial position, if not worse. To put it another way, I don't think there's any guarantee an alternative trade would have secured Mr I a profit (or avoided as much of a loss) as that particular trade did.

Taking all this into account I'm led to the same conclusion I reached in my provisional decision. I don't think IB failed to give Mr I enough information to make informed trading decisions. If it did fail in that regard, I'm not persuaded that caused Mr I to place trades he otherwise wouldn't have done. It follows that I don't uphold Mr I's complaint.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 28 October 2025.

Luke Gordon  
**Ombudsman**