DRN-6013419

The complaint

Mr M opened a Contracts for Differences ('CFD') account with Trading 212 UK Limited ('T212') in February 2025.

On Friday 4 April 2025 he had open trades in the account, and they were exposed to high volatility in the markets over the weekend that followed. He says he tried to mitigate their exposure at the time, but he was unable to do so because the markets were closed. By Monday 7 April 2025 the trades had faced forced/margin closures, with crystallised losses.

He says – T212's advice, warnings and charts prior to the events were inadequate, they failed to prepare him for the circumstances over the relevant weekend, and T212 also failed to protect his account from the losses incurred.

What happened

T212 disputes the complaint.

It mainly says – it provided an execution only service to Mr M's account, so it gave no advice to him; as part of his on-boarding for the account he confirmed awareness of the high risks in CFD trading; his trades' exposures to the market were part of those risks; he received repeated reminders of such risks in his trading, from the numerous risk warnings on its platform; in his appropriateness test answers he declared a proficiency in analysing charts and indicators; and following his complaint it placed a close-only restriction on his account.

One of our investigators looked into the complaint and acknowledged both sides of the argument on the events between 4 and 7 April. However, her focus was on the appropriateness of the CFD account for Mr M. Based on available evidence, she was not satisfied that the account was appropriate for him, she found that T212 had wrongly concluded otherwise so no inappropriateness warning had been issued to him. For these reasons, she concluded that the account should never have been permitted, and that Mr M should be compensated for the losses suffered in his trading.

The investigator highlighted evidence from T212's appropriateness assessment showing that whilst Mr M said, in the process, he had familiarity with stocks, he also said he had no CFD trading experience in the last three years, no investment experience and no professional qualifications or experience relevant to understanding the nature and risks of CFD trading. Additionally, she said, there was a response from him to a question about the use of leverage in trading that was incorrect.

She took the views that the combination of these responses should have conveyed to T212 that the account was inappropriate for him; it should have warned him about the account's inappropriateness, but it did not; none of the risk warnings it refers to amounted to notice about inappropriateness; had such notice been issued to him there is no evidence that he would have proceeded with the account nevertheless.

T212 disagrees with this outcome.

It stands by its assessment that the account was appropriate for Mr M, and it argues that lack of experience in CFD trading is not, in itself, enough to reasonably conclude otherwise. It maintains that the warnings it issued at the on-boarding stage were important. It says they were clear, fair and not misleading, in terms of conveying to him the risks inherent in the account, and it argues that one warning in particular essentially invited Mr M, based on his appropriateness test answers, to rethink his venture into the CFD trading account.

T212 has also set out, with evidence, its efforts, after the opening of the account, to ensure he remained mindful of the risks within trading and it effort in taking action once it learnt there was a problem in this respect – including 'good investment practices' emails sent to him in March and April, 'vulnerability increase warnings' sent to him on 3 and 8 April, and the restriction it placed on his account on 14 April. It does not accept that his incorrect answer to the leverage question was enough to conclude that the account was inappropriate for him, and it refers to contents in his communications about the 4 to 7 April events which, it says, show he had knowledge and understanding of elements of trading.

The investigator was not persuaded to change her view. The complaint was referred to an 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.

I appreciate that Mr M did not complain until after the events between 4 and 7 April, and that the purpose of his complaint was to achieve redress for his loss in those events. However, our service has an inquisitorial remit that allows us to look into the subject of a complaint and, if relevant, its cause(s).

In Mr M's case, there are facts which warrant consideration of the opening of his CFD trading account, the level of his understanding of the type of trading conducted within the account and the appropriateness of the account for him. In my view, these facts contributed significantly to the cause(s) of Mr M's experience in the 4 to 7 April events.

There is correspondence after the events in which he displays an unawareness about the effect of market closures during weekends on his ability to follow chart movements within the weekends (something T212 remarked, in its complaint response, as being "surprising"); in which he refers to, and shows a fundamental misunderstanding of, negative balance protection; and in which he expresses an erroneous expectation that trading losses could be recovered so long as he closed the account first.

In addition, T212 is correct in affirming that his account operated on an execution only basis, yet Mr M's complaint appears to display a belief that he had an advisory relationship with T212.

These examples call into question whether (or not) he was properly informed about the nature of the CFD trading account he had opened and, in turn, whether (or not) the account was appropriate for him. They are also relevant to understanding the unpreparedness for the 4 to 7 April events that he has explained.

I have noted and considered both sides of the arguments about the events. I have done the same in relation to T212's submissions and evidence about the warnings it gave Mr M at the outset, the warnings and notices that continued to be available to him subsequently and its action in restricting the account once a problem arose.

However, these elements come into play only if, primarily, I am satisfied that the account was appropriate for him. Or, in the alternative, if I consider that it was inappropriate for him but he would have opened it anyway, despite notice of inappropriateness, and that T212 would have been reasonable in allowing him to do so. In the absence of either finding, the conclusions would be that the account was inappropriate for him and, with notice of that, it would not and/or should not have been opened for him, in which case the arguments surrounding the 4 to 7 April events essentially become redundant.

Overall, on balance and in summary, I consider that the CFD trading account was inappropriate for Mr M; I agree with the investigator's view that there is nothing in the facts of the case to indicate that, with notice of inappropriateness, he was likely to insist on opening it; so I find that he would have probably walked away from the application if such notice had been given to him.

In addition, even if he insisted on proceeding with the application, I am not satisfied that it would have been reasonable for T212 to provide the account to him in the circumstances.

In broad terms, *Appropriateness*, under the regulator's Conduct of Business Sourcebook ('COBS') rules (at COBS 10 and 10A, depending on the type of business involved), must be assessed by a firm in order to determine whether (or not) a person has sufficient knowledge and experience to understand the risks involved in the service or product s/he seeks or has been offered. This is especially needed where the product is complex, as CFDs are generally considered to be.

This obligation is distinct from the duty to provide risk warnings like those T212 has referred to. It has affirmed that it concluded the account was appropriate for Mr M so, it says, it had no cause to issue an inappropriateness notice to him.

It has developed an argument about the weight of the collective warnings it gave Mr M from the start and onwards, including the notice that invited him to rethink the account. It essentially says these warnings were received, understood and agreed by him, and I understand that argument. However, the point remains that he was never issued notice telling him the account was inappropriate for him, because T212 did not consider the account inappropriate for him.

With regards to the notice that invited him to rethink the account, I have considered its wording. It did no more than present that invitation to him, in somewhat generic terms and with a reminder of the high risks in CFD trading. It said nothing to indicate inappropriateness specifically for him, and it did not alter the assessment conclusion that the account was appropriate for him.

Risk warnings provide information on risks, so in Mr M's case they differed significantly from a notice that said to him an assessment had been conducted and its outcome was that the CFD trading account was deemed inappropriate for him.

In assessing appropriateness T212 was expected to determine whether (or not) he had enough knowledge and experience to properly understand what he was applying for (especially its risks). In this respect, and as set out in COBS 10A.2.4A R, it was important for it to obtain and assess the following –

- Information about any type of service(s) and/or product(s) Mr M was familiar with.
- Information about the nature, volume, frequency and length of his experience in any such service(s) and/or product(s).
- Information on the level of education he had and, if relevant, on his profession.

A firm is obliged to give notice (in the form of a *warning*) if the assessment concludes that its service or product is inappropriate. The investigator referred to guidance from the regulator on how definitive the warning should be. The parties are aware of the guidance she referred to, so I need not repeat it.

If, despite the warning, the person still wishes to proceed with the service or product there is further regulatory guidance that says the firm has discretion to allow the person to do so "… *having regard to the circumstances*." However, in a complaint, this will likely invoke consideration of whether (or not) such discretion, in the circumstances, was exercised reasonably.

As is established and undisputed, Mr M's case did not reach the point of a warning because T212 concluded that the CFD account was appropriate for him. On balance, I disagree with that conclusion. I find that the following, collectively, ought reasonably to have been identified by T212 in its appropriateness assessment as reasons to reach the opposite conclusion (that the account was inappropriate for him) –

- A question was put to him in the assessment that said "*My position/s may be automatically closed when?*". In response, he said "*account running at a loss*". It is not clear from the documentation if this was viewed as a correct or incorrect answer. However, it arguably should have been noted that he did not properly address the part of the question about the closure being 'automatic'. For example, he did not mention anything about margin capacity or anything about automated closure instructions like a stop loss setting – a *running loss* in the account could, in principle, continue with margin capacity to sustain the trades within it and in the absence of automated closure settings for those trades. His answer seems to suggest a misunderstanding that trades will automatically be closed as soon as the account is *running at a loss*.

- He confirmed familiarity with stocks and said he was "*proficient*" in analysing charts and indicators, but he presented no basis for either in his answers to the questions about investment and trading experience.

- His answer to the question asking for a description of his investment experience was "*none*"; and in response to the question "*What investments do you have experience with?*" he said "*none*".

- He confirmed having no qualifications or experience relevant to CFD or leveraged trading, and his professional background was distinctly remote to trading and financial services.

- The three sets of responses summarised in the three bullet points directly above were not readily consistent. How, despite having no investment and trading experience, had he obtained familiarity with stocks and proficiency in analysing charts and indicators?

- The question he wrongly answered, which the investigator noted, was – "*Does the use of leverage magnify the potential losses you can make on CFDs?*". His answer was "*no*", which displayed a glaring, significant and fundamental unawareness of one of the major risks in a leverage based CFD trading account.

COBS 10A.2.6 R says "*A firm is entitled to rely on the information provided by a client unless it is aware or ought to be aware that the information is manifestly out of date, inaccurate or incomplete.*" [my emphasis]

There was enough in the examples I have addressed to conclude that T212 ought reasonably to have been aware that the answers appeared either inaccurate or incomplete.

In the above circumstances, it should have determined that the CFD trading account was inappropriate for Mr M. He did not present enough to pass the assessment, and it was arguably foreseeable that he was venturing into something he did not quite understand. He displayed a lack of understanding about automatic trade closures and about the impact of leveraged based trading on losses, both of which, incidentally, played out in the 4 to 7 April events and in the losses he suffered from those events.

I repeat, I have not seen any evidence to show or suggest that he was determined to open the CFD trading account at all costs, or that he would have insisted on doing so even if he was told it was inappropriate for him. The account was inappropriate for him and T212 should have given him a warning about that, as required by the regulator's rule and as prescribed in its guidance (which the investigator quoted). Had it done so, I am persuaded that Mr M would probably have accepted the outcome and his account would never have been opened – in which case, the losses incurred in the account would never have happened.

Putting things right

Based on the above conclusions, fair redress to Mr M would be to put him back into the position he would be in had he not opened the inappropriate CFD trading account. In specific terms, the total of his capital losses in the account would have been avoided, so I order T212 to pay him compensation in the amount of his total capital losses in the account. If he has not been able to withdraw any remaining capital balance in his account, I also order T212 to facilitate that withdrawal at no cost to him.

If Mr M accepts this decision, and if T212 does not pay him this compensation within 28 days of being notified that he has accepted the decision, I order T212 to pay him interest on the compensation at the rate of 8% simple per year from the date of this decision to the date of settlement. This interest payment is to compensate Mr M for any undue delay in settling compensation caused by T212.

My final decision

I uphold Mr M's complaint, and I order Trading 212 UK Limited to pay him compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 March 2026.

Roy Kuku
Ombudsman