

complaint

Mr K complains that IG Index Limited (trading as IG Markets) allowed him to lose a significant amount of money spread-betting and trading contracts for differences (CFDs). He feels that based on his annual earnings he should not have been exposed to the risk of such high losses. In addition, he believes that he should not have been allowed to fund his account using his credit card or to trade on indices and gold without having had training.

He called the IG Helpdesk in May 2013 to discuss the losses on his account. He feels his account should have been closed or suspended at this point. Further, he has never made any withdrawals from his account and questions why the business did not contact him about this and the losses he was making.

background

Mr K told us:

- He opened an account with IG in November 2010.
- In May 2013, he called IG to complain about the losses he had incurred on his account. There was no manager available to talk to him at this time and his account was not closed or suspended. He made further losses after this call.
- In August 2013 Mr K rang a manager at IG to complain again about the losses he had made on his account. The manager said that IG was obliged to close his account as a result of the nature of this telephone conversation. IG sent Mr K an email to confirm that his account had been closed.
- In September 2013 Mr K complained to IG's compliance department about the significant amount of money he lost on his account in less than two years. He said that his losses increased after he started to trade on gold and indices.

Mr K's complaint was investigated by one of our adjudicators, but she did not recommend that it be upheld. Briefly, she said:

- On his application form, Mr K told IG that he had traded derivatives before, that his annual income was £40,000, and that his assets exceeded £50,000. IG concluded that he was an appropriate candidate to open an execution only trading account. She considered that conclusion was reasonable.
- She was satisfied that IG had described the risks of the account in clear and understandable terms, and that it had made very clear that CFD trading and spread-betting carried high risks.
- As Mr K had an execution only account, he was ultimately responsible for making the trading decisions, placing trades and controlling risk in the manner he wanted. IG did not have a duty to monitor the losses he was making, or the amounts of money he was or was not withdrawing from his account. In addition, it was Mr K's decision to use his credit card to fund his trades.
- IG was not required to close Mr K's account following his May 2013 call. During that call, he complained about the level of his losses and the fact he had been allowed to

fund his account using a credit card – but he did not complain that he should not have been allowed to trade in the way he did. She noted that IG had offered to close his account, but he said he wanted to keep it open.

- In contrast, she considered that IG was right to close Mr K's account in August 2013 – even though he still wanted to keep it open. At the time, Mr K told IG that he had lost more money than he could afford to lose, and that trading on his account had become like gambling.
- Overall, she did not consider that IG was required to refund any of Mr K's losses to him.

Mr K did not accept our adjudicator's conclusions. In summary, he said:

- At the very least, IG should refund the £8,000 or £9,000 he lost between May and August 2013. In May 2013 IG knew that he'd lost a lot of money over a short time, and that he'd been funding his account with a credit card – and therefore it was obliged to close his account. He considers that the August 2013 call supports that view.
- IG should not have allowed someone like himself, who earns only £40,000 per year, to open such large CFD positions. In addition, it should not have allowed him to fund his account using a credit card, thus allowing him to get into debt.
- Index trading should be reserved for professional traders. He did not realise the level of risk he was taking, and he should have been required to do a course to make him aware of that.
- Although IG says he should have read the small print, few people do that and in any event it is hard to understand.
- IG should have realised that he never withdrew any money from his account – he simply added more and more money to cover his losses.
- In April 2014, he wanted to see if it was *“still so easy to just put any details in, open an IG account and start trading hundreds of thousands of pounds”*. His partner applied for an account in her own name, using her own details, and within minutes she was able to trade hundreds of thousands of pounds without having any experience. IG should have better checks to ensure this cannot happen.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I acknowledge that the circumstances that led to this complaint have been very difficult for Mr K, but I am not persuaded that IG has done anything wrong.

When Mr K opened his account, he told IG that he had previous experience of trading derivatives, and that he understood the risks of trading on margin. I agree with our adjudicator that the risks were clearly set out on IG's website, and I am not persuaded that it

misled him in any way. I see no reason why IG should not have allowed him to open an account, and I do not think Mr K's decision to fund his account with a credit card was an obvious cause for concern.

Mr K's IG account was an execution only account, meaning that he was responsible for his own trades. If he had any concerns about trading on indices or on gold, it was up to him to obtain additional information.

I have listened to Mr K's May 2013 and August 2013 telephone conversations with IG. In my view, the tone of the two conversations is very different. In the first, Mr K is clearly unhappy with the amount of money he has lost, but he does not explicitly say that he will suffer financial difficulties as a result. IG offers to close his account for him, but he is very clear that he wants to continue trading.

In the August 2013 telephone conversation, Mr K says that he cannot afford his losses, and that he is worried he will lose his house. He goes on to say he'd got to the point where he's just gambling, and explained that he got into index trading by accident and did not understand the risks he was taking – but he still wanted to keep his account open.

In view of both the content and the tone of Mr K's August 2013 telephone conversation, I am satisfied that IG was right to close his account at that point. I do not agree that it had any obligation to close his account any earlier.

With regards to Mr K's partner's account, if she has concerns about how IG has treated her she may raise a separate complaint. I am not persuaded that her account with IG is relevant to this complaint, and in any event Mr K did have previous trading experience.

my final decision

My final decision is that I do not uphold this complaint against IG Index Limited (trading as IG Markets).

Laura Colman
ombudsman