

complaint

Mr C's complaint is about his trading account with IG Index Limited (IG). In the main, he says IG – and other firms with which he held trading accounts – engaged in manipulating the markets against him. He says he incurred a financial loss as a result. He considers he was defrauded and he seeks compensation for his loss. Mr C also asserts that he was not properly informed of the nature and risks of trading.

background

IG disputes the complaint. In its response to Mr C it refuted the allegation of market manipulation and explained as follows:

- It operates a hedged approach for its customers' trades, whereby its customers' positions are netted off against each other – with any residual exposure being traded in the market – so Mr C's losses did not amount to its profit. Its revenue comes from the spreads and trading commissions.
- Within Mr C's spread betting account the products he traded included indices, forex, gold and cryptocurrencies. Its prices for spot gold and forex were derived from major banks around the world, around which it wrapped its spread (and incorporated commission charges). Its prices for cryptocurrencies were similarly defined, based on third party cryptocurrency exchanges. Its prices for indices were based on the relevant futures market, with a spread (and commission) wrapper. None of these prices were manipulated by IG and none of them could be manipulated by IG.

One of our investigators looked into the complaint and concluded that it should not be upheld. He noted submissions that Mr C had made about wider market malpractices but said they are matters of regulation which go beyond our remit. He referred to evidence about the account opening process which led him to conclude that IG was not wrong to have opened the account for Mr C and that Mr C was informed about the risks of trading. Mr C disagreed with this outcome and maintained his allegations and claim for compensation. The matter was referred to an ombudsman.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I note Mr C's submissions about wider market malpractices. My remit does not extend to addressing such matters so I have not done so. They appear to be regulation related issues and this service is not the financial services regulator. My remit is to address Mr C's specific complaint and the issues within it. I do so as follows:

Appropriateness of Mr C's trading account

This matter is implicit within Mr C's complaint, given what appears to be his overall assertion that the account – and the trading within it – was inappropriate for him. *Appropriateness* is assessed on the basis of information from a client to a firm about whether the client has sufficient knowledge and experience to understand the risks involved in the service or product(s) offered by the firm.

Available evidence shows that, in the process for opening Mr C's account an appropriateness assessment was conducted and IG relied on information – from him – which confirmed his familiarity with over-the-counter derivatives trading. The information said he engaged in such trading *frequently* and that he agreed (ticked) the Risk Disclosure Notice in the account opening process. In his submissions to this service Mr C referred to having a total of over 15 years' trading experience. Overall and on balance, I do not consider that IG was wrong to accept his application for the account.

Risk Warnings

The introduction of the Risk Disclosure Notice ended with a paragraph – in bold – which emphasised the need for customers to be aware of the risks associated with their trading, to ensure they had the financial resources to bear such risks and to ensure that they monitored their positions carefully. The document then proceeded to confirm the execution only nature of the account – devoid of advice – and to summarise general risks. It then proceeded to give information about the nature of specific traded products and the level of risks associated with each. In terms of spread betting and Contracts for Differences summaries of their nature were given and they were both defined as being high risk products where customers can lose more money than their initial deposits.

The Risk Disclosure Notice was presented in plain English and was not unduly lengthy. Mr C's account was based on an execution only service and IG held no responsibility for advising on his trading, monitoring his trading (or account) or managing his trading (or account). He had sole responsibility in these respects, including responsibility for awareness and management of his exposure to risks. The Risk Disclosure Notice emphasised the importance of him monitoring this.

Overall and on balance, I consider that Mr C was adequately warned about high trading risks at the outset. Thereafter, IG was not obliged to provide risk management for his individual trades and/or account.

Fraud and Market Manipulation

I understand the strength of feeling with which Mr C has made these allegations, but the balance of evidence does not support either of them – as far as they relate to IG. I have not seen evidence of Mr C's money being unlawfully misappropriated and I am not persuaded by the argument that his losses were caused by misguidance about the risks of such losses.

I note the debate between the parties about how much was deposited into and lost from Mr C's account. Mr C has also suggested that evidence has been tampered with in this respect. This service was provided with an account statement that shows what appears to be complete account activity information (including deposits, withdrawals, trades, profits and losses). I have not seen evidence to cast doubt over its contents or to say they have been tampered with. On balance, I consider the statement to be a reliable confirmation of the account activity and I do not consider there is evidence of unlawful misappropriation within it.

As I have addressed above, the risks of the losses Mr C incurred were adequately declared to him at the outset, so they were not concealed from him and he does not appear to have been misguided in this respect. In addition, I have not seen evidence that there was market manipulation by IG in his case.

my final decision

For the reasons given above, I do not uphold Mr C's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 24 November 2019.

Roy Kuku
ombudsman