summary of complaint

Mr G and Mr H's complaint about Central Markets (London) Limited (CML) is as follows:

- They *"were pressurised into trades that had no strategy behind them except to generate commission for the broker".*
- They had € 240,000 available for purchasing low risk investments but CML put this sum towards CFD trading instead.
- The CML broker communicated with them in an inappropriate manner, with dealings being conducted through face-to-face meetings or over a mobile phone connection.
- Relevant fees were not clearly and transparently explained to them.
- Their financial exposure was never explained to them.
- They did not understand the potential risks associated with leveraged CFD trading and needed an advisory service.
- There was a complete lack of risk management or strategic direction from CML.
- They were advised to reclassify themselves as elective professional investors against their own interests.

background to complaint

I issued my provisional decision on this complaint in February 2014. A copy of this is attached and so I will not repeat the background here.

CML accepted my provisional conclusions and had nothing further to add.

Mr G and Mr H did not accept my provisional conclusion. In reply Mr H said the following:

Mr G and Mr H do not agree that they were properly classified as elective professional clients. They consider that they did not meet the quantitative test as their assets were below the required figure. They also question the motives of the business in classifying them as elective professional clients. They gained no benefit from the reclassification.

Contrary to what I said in my provisional decision, the vast majority of the trades were carried out on the advice of CML. Mr H estimates that only around 10% of the trades were carried out on an execution only basis. These were trades that were carried out when the broker was on holiday or when markets were closed. Trades were often discussed over several days and this needs to be considered when deciding whether a trade was execution only.

Whilst accepting that CFD trading is high risk they were told that by using CML the risk would be substantially reduced. The losses on one of the other CFD accounts were due to neglect as Mr G was too engrossed in trading his CML account.

The figure I quoted for Mr G's income is incorrect. They also highlighted the fact that they were actively seeking to purchase a property together.

Their trading was based on a sense of desperation rather than an implicit acceptance of the very high level of risk.

Money was added to the account on the advice of CML. They understood some but not all the practicalities of CFD trading. They consider that CML manipulated the margin position to encourage them to commit more money to CFD trading. The spike in the FTSE 100 index in March 2011, the source of significant losses for them, has not been properly explained.

my findings

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

the classification of Mr G and Mr H as elective professional clients

The value of the account plus the cash holdings initially disclosed did exceed the required level. The elective professional forms clearly set out the criteria to be an elective professional in terms of the size of assets required. I consider it was reasonable for CML to have relied on the information they were given and for Mr G and Mr H to have corrected the earlier information if it was not correct.

I agree that the benefits of being elective professionals seem modest, particularly when considering the significant protections surrendered. However, Mr G and Mr H agreed to the classification and were not pressurised into doing so. It is a requirement that the basis of the classification and the protections to be lost are made clear to investors and the correct process was followed. I remain satisfied that the classification of Mr G and Mr H as elective professional clients was correct. The events after this classification therefore fall outside the jurisdiction of this service.

The key issue in this complaint is the level of risk that Mr G and Mr H were prepared to take. I have carefully considered what Mr H has said in reply to my provisional decision but have not been persuaded to change my mind on this issue.

It is often the case than an investor who has lost a significant sum of money will continue to trade in an often vain attempt to recover the losses they have suffered. Mr H has said that this is the position that he and Mr G were in and it was wrong for me to conclude from the pattern of trading that they were very high risk investors. He says that the reality is they were desperate investors vainly trying to recover the trading losses they had suffered.

However, it remains my view that the actions of Mr G and Mr H are not consistent with such an interpretation. In this particular case Mr G and Mr H initially lost a significant amount of money, around £100,000 out of an initial investment of around £300,000. A short time later, this initial loss was recovered and after a further short period of trading a very significant profit of around £70,000 was generated. At this point they would have had a very clear illustration of the risks and rewards of CFD trading.

I do not consider an investor who carried on trading after this point would have been under any illusions about the scale of the losses they were potentially exposing themselves to. It must also be remembered that this was not Mr G and Mr H’s first experience of CFD trading. They had previously had two CFD accounts. For one of the accounts, whilst the sums involved were significantly less, around half the money invested was lost.

I have therefore not been persuaded to depart from my provisional conclusion that Mr G and Mr H were very high risk investors prepared to risk very substantial sums of money.

It also remains my view that Mr G and Mr H should have been advised that they were committing an excessive proportion of their wealth to high risk CFD trading. However, I do not consider that even if this advice had been given it would have been accepted by Mr G and Mr H.

The split of execution only and advisory trades is not a key issue in the outcome of this complaint. Whilst the 10% of trades estimated by Mr H is less than both my and the business's estimate it still represents a significant number of execution only trades.

Mr H has suggested that CML manipulated their positions so that they were required to put further funds into the account to meet margin requirements. He has also said that I should investigate further the sharp spike in the FTSE 100 index in March 2011 which caused them very substantial losses.

Whilst CML offer an advisory CFD service, it does not operate the CFD trading platform. This is operated by a third party provider. Therefore the operation of the trading platform, and this would include the prices at which trades were executed, is not the responsibility of CML. Mr G was not trading with CML as counterparty it was merely advising and placing trades for him.

my decision

My final decision is that I do not uphold the complaint.

Michael Stubbs
ombudsman

PROVISIONAL DECISION

The background to the complaint as set out in my provisional decision of February 2014 is as follows:

An adjudicator investigated the complaint. Whilst initially his view was that the complaint should be rejected, after receiving further information from CML he changed his mind.

The following is a brief summary of why the adjudicator considered the complaint should be upheld.

- *Whilst the account was a joint one all of the trading was carried out by Mr G.*
- *Based on the pattern of behaviour and activity as evidenced by the contents of the telephone calls sampled, the adjudicator concluded that Mr G fully understood and accepted the risks associated with CFD trading.*
- *Mr G relied on the CML broker to assist him with the management of the trading account. However, it was not the adjudicator's view that the broker's input or influence were such that Mr G could not at any point have been able to assess whether to accept specific recommendations given by the broker or to assess whether to continue investing in CFDs.*
- *The adjudicator did not uphold the complaint in respect of the additional euro contribution to the account. CML do not hold client money and therefore the management of funds on the account was under the control of Mr G and Mr H at all times.*
- *The adjudicator considered that this service did not have jurisdiction to consider any elements of Mr G and Mr H's complaint after a specific date in April 2011 when Mr G and Mr H signed the relevant documents to allow CML to treat them as elective professional clients.*

Both parties have responded at length to the views issued by the adjudicator. I do not intend to list in detail every point that each party has asked me to consider. I provide here a summary of those points.

- *On costs and the disclosure of costs*

During the time they were clients, CML earned commissions in the region of £340,000 compared to losses for Mr G and Mr H of some £570,000. Mr H has calculated that, over the full term, they would have had to earn a minimum of £2,584 per day just to cover the commission and interest charges.

CML did not absorb the cost of moving their trading account from another CFD firm. The broker had promised to transfer their open CFD positions to CML and then close them down free of charge. This did not happen and it cost Mr G and Mr H more than £9,000 in commissions.

Mr H questioned the "too high" level of fees for trading indices on numerous occasions but nothing was done. Also, overnight financing fees were never explained to them and they subsequently discovered they were paying "far too much" in financing fees. It was not disclosed that CML were earning a percentage of all financing fees paid to IG Markets (who *operated the platform and underlying account). Too often, the commissions charged on trades exceeded any profits earned.*

- *Over exposure to unacceptable levels of risk and a failure to monitor on the part of the broker*

From the outset they were put under a lot of pressure to trade and their account was over exposed dangerously close to the margin requirements which, in turn, forced Mr G to place more money in the account.
That over exposure was never explained to them and they did not understand the potential risks associated with it. Specifically, their account was negligently over exposed on one evening in March 2011.

The FTSE unexpectedly and unusually spiked on this particular evening ("the spike date") and they were stopped out of their positions resulting in a loss in excess of £450,000. The broker had not only overexposed the account, he had not set the stop losses correctly to prevent what did in fact happen. This spike in the index has not been properly explained by CML. It is acknowledged by Mr H that "though the account was negative up until [the spike date] the losses though significant were manageable." A loss of more than £420,000 was incurred on this spike date as a result of the overexposure.

Despite indicating in the relevant account-opening forms that they were willing (on CML's advice) to accept risk of up to £10,000 on a single position, there were several occasions when the risk on opening the trade exceeded £10,000.

The CML broker was negligent in not monitoring the open positions on their account, meaning that significant losses were incurred when the positions had to be stopped out. On three separate dates in May and June 2011, they incurred losses totalling £274,693 on three FTSE 100 companies.

- *Churning*

On CML's advice they were often put into positions that were "netted off (forced open)", a trading strategy which only incurred commissions and overnight financing fees, and which meant that their overall position could not improve. When Mr G questioned on a number of occasions whether he should close certain positions, he was advised by the CML broker to keep both the longs and the shorts open which were incurring costs of some £2,000 every day to maintain. The broker was "churning commissions whilst building a house of cards." Maintaining simultaneous long and short positions on an execution-only basis is perhaps valid for execution-only traders but, given the level of commission to be taken into account, is not valid on an advisory trading account.

- *Trading strategies / account management*

Mr G and Mr H's intention had only been to trade CFDs in FTSE 100 stocks. Mr G was encouraged to trade in FTSE 100 indices which proved to be highly volatile and risky. As the relevant indices are open 24 hours a day, Mr G had to constantly monitor the positions often all night during periods of market turbulence which led to fears for his health and sanity on the part of his family.

Many of the trades which were categorised as execution only within the relevant contract notes were in fact undertaken on an advisory basis.

CML did not supervise their account or monitor the activities of their designated broker. The broker was not qualified or experienced enough to run their account on his own.

There was no diversity in their account. It was composed entirely of CFDs.

CFDs do not have to be fully leveraged but this is something which CML did not explain to Mr H and Mr G. With less leverage, they would have been less exposed and at less risk.

We should listen to a far greater sample of telephone recordings before coming to a final view on the complaint. Of particular concern to Mr H is the period from mid-February to the last week of March 2011 when they were first advised to open index positions to offset their open positions in single equities.

It would also become clear that the broker was –

a) *advising Mr G to move the stop losses on his equity positions to increase the margin on the account and therefore*

b) *recommending that more funds be credited to the account*

Mr H has also asked us to consider events in respect of particular positions on 4 and 5 May 2011 as well as 11 June 2011. On these dates the broker will be heard advising on and running the positions with a promise to monitor the positions and give warning if anything changed or the positions were in danger. He did not do so and losses were incurred which could have been prevented.

On the first day of trading with CML their account was showing a profit of some £10,000 on one position. They were eager to close the position and take the profit but were told by CML that there was a problem on the system and the position could therefore not be closed. The following day, the position was closed at a loss. Mr H would like this irregularity looked into within the scope of this complaint.

Mr G and Mr H were wholly dependent on the CML broker for advice, trading strategy and risk management. They had had a previous relationship with the broker at another firm. However, that firm was not able to continue to offer an advisory service to clients.

The broker moved to CML and contacted Mr G and Mr H as he understood they would not be able to trade independently without advice. Mr G and Mr H agreed to open an account with CML. They were owed a duty of care to ensure that the investment activity was suitable for them at all times not least in reference to the level of commissions being charged.

- *The additional sum of EUR 240,000 and a wish for a reduction in risk*

The sum of EUR 240,000 had been set aside with a view to investing into low risk, high dividend yielding stocks. One of Central Markets' directors had provided a list of potential stocks and had suggested to the broker that he should slow down the current trading strategy. However, as their CFD trading account was going into margin, they were advised by CML to use these monies to fund their CFD trading account. They were assured this would be a 'temporary loan' but no dividend yielding shares were ever purchased and the amount was lost to them forever.

- *The reclassification of Mr G and Mr H as elective professional clients*

They were coerced under time pressures by CML to become elective professional clients shortly after they incurred losses on the spike date.
Shortly before this, they were presented with a framed shirt signed by the players of Mr H's and Mr G's favourite football team. Mr G and Mr H consider this to have been an act of bribery.

CML understood that, in becoming elective professional clients, Mr G and Mr H would not have access to this service if they chose to raise a complaint.
They were told at the time that they would be able to trade faster if they became elective professional clients as there would be no need for CML to read out risk warnings during each proposed or agreed trade. They agreed to their reclassification at a time when they were distressed and upset at the losses they had incurred on the account.

In any event, by reference to the facts, Mr G and Mr H fail to see how they passed the regulator's qualitative and quantitative tests for clients to be reclassified as elective professional clients. There was no difference in the nature of the relationship after they had been reclassified. The quantity of calls is not reflective of "two professionals dealing with one another" which is how CML has characterised the relationship.

- *Suitability*

It should have been clear to CML that Mr G was unable to cope with the trading strategy and his health suffered as a result. CML failed to voice a concern that high volume, short term CFD trading was unsuitable for him or to suggest a new direction or strategy for the account.

my provisional findings

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

<u>were Mr G and Mr H correctly classified as Elective Professionals?</u>

The relevant rules governing elective professionals are as follows:

COBS 3.5.3

A firm may treat a client as an elective professional client if it complies with (1) and (3) and, where applicable, (2):

(1) the firm undertakes an adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved (the "qualitative test");
(2) in relation to MiFID or equivalent third country business in the course of that assessment, at least two of the following criteria are satisfied:
(a) the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
(b) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds EUR 500,000;

(c) the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged;
(the "quantitative test"); and
(3) the following procedure is followed:
(a) the client must state in writing to the firm that it wishes to be treated as a professional client either generally or in respect of a particular service or transaction or type of transaction or product;
(b) the firm must give the client a clear written warning of the protections and investor compensation rights the client may lose; and
(c) the client must state in writing, in a separate document from the contract, that it is aware of the consequences of losing such protections.

COBS 3.5.4
If the client is an entity, the qualitative test should be performed in relation to the person authorised to carry out transactions on its behalf.

COBS 3.5.6
Before deciding to accept a request for re-categorisation as an elective professional client a firm must take all reasonable steps to ensure that the client requesting to be treated as an elective professional client satisfies the qualitative test and, where applicable, the quantitative test.

COBS 3.5.7
An elective professional client should not be presumed to possess market knowledge and experience comparable to a per se professional client

The trading on the account was carried out by Mr G, Mr H had no involvement in the trading on the account.

The above rules do not really cover the situation in this complaint. The account was a joint account. Two individuals were authorised to trade. In practice only one individual carried out the trading with Mr H leaving all of the trading decisions to Mr G.

Mr G did meet the above criteria as regards number and frequency of trades. Mr H did not meet the qualitative tests as he did not trade the account. At the time of the classification the combined assets of Mr G and Mr H exceeded the required threshold of €500,000 but not individually.

The rules reference an 'entity' and state that where the client is an entity the qualitative rules should apply to the person authorised to trade. Whist it might not be strictly speaking correct I consider that in this context it is reasonable to treat the joint account in the name of Mr G and Mr H as if it were an 'entity'. The qualitative test should therefore be applied to Mr G (as he did all of the trading). I am satisfied that by reason of his trading experience before becoming a client of the firm plus the trading carried out before the classification Mr G meets the qualitative test outlined above. I am also satisfied that at the time of classification the joint assets of Mr G and Mr H exceeded €500,000 and met the above quantative test.

I am therefore satisfied that Mr G was correctly classified as an elective professional and that therefore events after this classification are not matters that this service can consider.

the merits of the complaint

Before looking at the merits it is necessary to first determine the split in the number of trades that were carried out on the advice of the business and those that were carried out on an execution only basis by Mr G.

For an advised trade issues of suitability apply whereas, provided the account is appropriate for the investor, then the consequences of an execution only trade are not the responsibility of the business. I have no doubt that Mr G was sufficiently experienced and knowledgeable to have opened an execution only account ie such an account was appropriate for him.

It is necessary to get some idea of how many trades were carried out on an advised basis and how many on an execution only basis. The business has estimated that the percentage of trades made on an execution only basis was around 80%.

Establishing this figure is surprisingly difficult. The level of commission for both types of trade was the same. The call logs of the business run to 92 pages and there were over 6,000 contacts with Mr G which the business recorded.

Having examined the call logs there are just under 80 instances of advised trades. However, there are a broadly similar number of trades recorded as execution only. There are a number of ambiguous conversations where a trade is discussed and a course of action agreed but where the responsibility for the trade is not clear without listening to the actual recording. Positions were often built up over a series of opening trades but closed out in a single trade (whether advised or non-advised). An opening trade may have been advised but the closing trade execution only. Therefore the above statistics do not give a totally clear picture of what happened.

However, I am satisfied that it is a reasonable assumption that a very substantial proportion of the trades (at least half) were made without advice from the business.

Stop losses were generally placed on the opening of a trade, typically at the 2% level. However, these were frequently changed. Some stops were moved following discussions others were moved by Mr G acting alone.

The key issues relevant to the outcome of this complaint are as follows:

- *The level of risk of that Mr G and Mr H were prepared to take*
- *Their capacity for loss*

A further issue is:

- *The practicalities of how the account was operated; was there anything untoward in the way the account was managed*

The first two issues essentially relate to the suitability of the account for Mr G and Mr H.

Level of risk

I need to be satisfied that the level of risk associated with the account was a level of risk that Mr G and Mr H were prepared to accept. CFD trading is a very high risk activity with a key risk that the investor can lose more than the money they have deposited.

The documentary recording of risk is not particularly clear and is in my view lacking in clarity in that it does not give a clear, unequivocal statement of the very high risk nature of the account. In my view the CFD trading account corresponded to the highest risk category of the business of 'speculative'. Mr G and Mr H's attitude to risk was recorded in a hand written note as 'somewhere between realistic and speculative'.

However, having considered the evidence it is my view that Mr G and Mr H were prepared to speculate with very significant sums of money in return for the prospect of very substantial gains. I consider that they were aware of and prepared to accept the risk of a very significant loss of capital.

The money that formed the original investment (£300,000) was transferred from another advisory CFD firm. Whilst this had been originally been managed on an advisory basis it had, due to regulatory reasons (the business's permissions were changed), latterly been managed by Mr G on an execution only basis. Mr G was keen to retain an advisory service and therefore transferred the account to CML. The trading history of this original account has not been established.

However, Mr G also had another advisory CFD account. The sums committed to trading whilst substantial were significantly less than that traded with CML (tens of thousands rather than hundreds of thousands of pounds). However, in terms of the outcome the percentage losses were very similar with Mr G loosing around half of the money he deposited into the account.

For the CML account, trading started in November 2010. In the first month trading was unsuccessful with losses of around £100,000 (out of an investment of £300,000). Trading continued into December. Trading in this month was successful and the £100,000 lost in November was recovered and the account stood, at the end of the month back at the original starting value of £300,000. At its high point the account in February 2011 was showing a profit of over £70,000.

Therefore after the first few months trading, if any were needed, Mr G and Mr H would have had a graphic illustration of the potential risk and rewards of a very actively traded CFD account. If this level of risk and volatility was not something which Mr G and Mr H were prepared to accept they could at this point have ceased trading with their original capital intact. The following month they could have stopped with a profit of over £70,000. Instead they continued to trade. I can only conclude that they did so in the very clear knowledge that by doing so they may well have lost a very substantial proportion of their capital.

When the account was closed the money was not transferred back directly to Mr G and Mr H but to another CFD account. No evidence has been provided as to what happened to this account.

I am therefore satisfied that Mr G and Mr H were well aware of and presumably prepared to accept the level of risk associated with this type of CFD trading.

Capacity for loss

The second key issue with suitability is the investor's capacity for loss. Put simply an investor should not be advised to put at risk a sum of money that they cannot reasonably afford to lose. In other words it must be a sum of money that the loss of which would not have an adverse impact on their lifestyle.

This is echoed in the firm's literature which advises that a client should not commit more than 50% of their investible assets to high risk CFD trading.

At the time Mr G (69 years) and Mr H (43 years) opened their account with CML their income and assets were recorded as –

	Mr G	*Mr H.*
Annual income	*£30,000*	*£60,000*
Bank/Building deposits	*£320,000*	*€250,000*
Cash ISAs	*£7,500*	*£10,000*
Other liquid assets		*£30,000*
Total assets	*£327,500*	*around £265,000*
Illiquid investments		*£100,000*

The £300,000 to be transferred from the other CFD account and which formed the initial trading capital is not included in the above.

Therefore total investible assets for the pair amounted to £917,500. The total funds eventually committed to CFD trading were just over £700,000 (and their losses were just over £500,000).

Neither Mr G nor Mr H owned any property and it was recorded they rented their homes. There is also no record of any pensions held. Mr G has recently told us that in addition to the state pension he has a personal pension paying a fixed income of £500 per month.

Both Mr G and Mr H were working and had a comfortable monthly disposable income.

The fact that Mr G and Mr H both rented may have been a conscious decision not wishing to tie up capital in property. Property rental income was presumably included in their net income figures and was therefore clearly affordable. An intention to purchase property cannot therefore be assumed. The key issue is: were there any future plans for the capital? If the intention was to purchase another property in the short term with a significant portion of their capital then this would have made the account unsuitable.

Given the relatively modest payments (in the context of the overall account) made on an ad hoc basis to the account it would have been quite hard for the business to track the overall sums committed. It is not clear but the business would not appear to have been involved in margin management and did not make any margin calls. I assume these were made directly to the CFD platform provider.

However, having considered all of the evidence I am satisfied that Mr G and Mr H committed an excessive proportion of their capital to high risk CFD trading. I consider that in the circumstances that CML should have advised Mr G and Mr H of this. The failure of the business to do so constitutes an error on its part.

At least half of the trading was execution only business. For an execution only account there would be no such obligation.
As such an account (execution only) would not have any obligations as regards suitability it is probably the case that a business would simply not have the information to act in such a way.

However, this was an advisory account and the business had the information to make this assessment. I consider that the business should have acted to resolve the issue and it must therefore potentially bear the consequences of not clearly establishing how the account would be run and what the responsibilities of the various parties were.

I consider the obligation to warn would arise both from an assessment of suitability and also the more general obligation on the business to act in their client's best interest. Therefore irrespective of the nature of the account and/or the trades I am satisfied the business should have cautioned Mr G and Mr H about over extending themselves.

However, I must also be satisfied that this error on the part of the business has led to a loss to Mr G and Mr H. Therefore the additional question that needs to be asked is as follows is:

Would Mr G and Mr H have heeded any warning about over extending themselves or would they have carried on regardless?

Having considered this point I consider it is more likely than not that they would have continued to trade. As discussed earlier Mr G and Mr H were clearly prepared to speculate with very substantial sums of money, very often without advice from the business. They did not seem to have been put off by the very significant swings in the value of their account. The fact that they lost half of the value of their account and persisted in trading in my view demonstrates an extreme tolerance of risk. Often an investor who has lost money with high risk investments will persist in trading in the hope that losses will eventually be recovered. Such persistence can be considered an act of desperation rather than an implicit assumption of extremely high risk. I do not consider that Mr G and Mr H's activities fell into this type of trading. At one point they could have stopped trading and walked away with a substantial profit. Before reaching this point they were at one point showing very substantial losses. They did not do so but persisted in trading presumably in the full knowledge that by doing so they could lose a very significant amount of their capital.

Trading took a substantial turn for the worse in March with further very significant losses. In order to keep open loss making positions Mr G continued to add further additional sums to the account. This was done on a piecemeal basis of tens of thousands at a time but in total the very considerable sum of around £400,000 was added. I consider these actions are those of investors prepared to accept very, very substantial losses.

Taking all of these factors into account I am satisfied that whatever advice or cautionary guidance the business may have provided to Mr G and Mr H about the extent of their exposure would not have been heeded. Even if such warnings had been given I consider they would have continued to trade.

the specifics of how the account was traded

the transfer of €240,000 into the account

This money had originally been intended to be invested in a range of shares and discussions about this had taken place.
CML had been involved in the conversion of the € to sterling in order to facilitate the investment. This money would appear to have been converting into sterling and paid into Mr G's bank account.

Whilst I am satisfied that it was the original intention of Mr G and Mr H to use this money to purchase shares I am satisfied that this was diverted to provide margin payments and that this was a choice made by Mr G and Mr H. I therefore do not find the business to be at fault in this matter.

I have not listened to all of the call recordings but I have listened to a large number. In none of the calls do I consider that any pressure was put on Mr G to trade. Mr G was an active trader who understood the mechanics of trading (including the charging structure and commissions). He was clearly able to formulate his own ideas as to trading and was not reliant on the brokers input. When the broker suggested trades to him they had clearly been the subject of reasoned thought as to their merits. Some of the losses on individual trades were significant but this was a function of not having stops or removing the original stops. Without listening to all the calls it is impossible to state that some stop removals were not appropriate. However it is clear that Mr G would often move stops without consulting the broker. In the cases where stops were removed/changed following discussions I am satisfied that there was a reasonable rationale. In any event Mr G was an experienced trader who would have been aware of the level of risk such a trading strategy would involve.

Mr G and Mr H have made a number of very specific allegations as to failings on the part of the business. In essence these are complaints that the business did something which took advantage of Mr G's lack of experience. As discussed above I do not consider this to be a reasonable assessment of Mr G and that these complaints cannot be upheld.

my provisional decision

For the reasons set out above my provisional decision is that I do not uphold the complaint.