

complaint

Mr H, trading as ZH, complains Smart Currency Options Limited (SCOL) failed to explain the risks involved with his foreign exchange option contracts including its margin policy. This resulted in him suffering a large loss. If it had explained this issue clearly, he would not have entered into the contracts.

background

On 13 April 2016, Mr H took opened two currency options contracts on the USD/GBP exchange rate. He made the required margin payments for both contracts.

On 26 June 2016, as the result of the Brexit vote, the USD/GBP rate changed dramatically. The margins on Mr H's contracts were breached and he was required to make an additional margin payment. He paid the required amount, but also chose to unwind his contracts to minimise his losses.

Mr H said if SCOL had clearly explained the risk of a margin call, he wouldn't have entered into the contracts.

SCOL disagreed. It said it had explained all the risks, in numerous conversations, including its margin requirements. It said Mr H was an experienced lawyer and long-term share trader and would have been aware of margin calls. He also signed the Margin Policy to indicate he had read and understood it.

An adjudicator at this service felt the complaint shouldn't be upheld, broadly for the same reasons as SCO had outlined. She cited key sections of Mr H's contract with SCOL where its margin policy was outlined. She also noted that Mr H had significant trading experience and felt he should've understand what the risks were with this type of trading.

Mr H disagreed, and said:

- He had merely sold shares on a couple of occasions 15 years ago and had no trading experience or knowledge of margin calls
- He only became aware of the potential impact of margin calls when SCOL asked for an additional payment and explained things
- The adjudicator confirmed that SCOL's documentation was difficult to understand for someone with no trading experience; as an inexperienced client he didn't understand the margin call issue

As agreement couldn't be reached, the case was passed to me to consider.

my findings

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

In this case, I agree with the adjudicator and for the same reasons.

Firstly, it's important to confirm that Mr H took out these contracts on a non-advised basis, meaning SCOL simply carried out his instructions on an execution-basis. Its responsibility was therefore limited to providing fair and sufficient information for Mr H to take an informed decision as to whether he wanted to engage in this highly speculative and risky activity.

From what I've read, I'm satisfied SCOL also provided Mr H with ample opportunity to clarify any issues of concern, and that he took this opportunity.

It was also, of course, responsible for enacting any of Mr H's instructions and managing his account in line with its terms and conditions. Overall, I have seen no persuasive evidence to indicate it failed to do these things.

I don't dispute Mr H's evidence that he didn't have comparable trading or share dealing experience, but this doesn't mean SCOL was required to provide greater 'advice' or explanation of the many and varied risks involved with this form of spread betting than it did.

I've considered all of Mr H's additional points but do not believe SCOL's documentation was inadequate. It was therefore up to him to decide whether to expose his money to the very considerable risks posed by, in effect, gambling on the outcome of the Brexit vote.

my final decision

I do not uphold this complaint or make any award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H on behalf of ZH to accept or reject my decision before 26 June 2017.

Tony Moss
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