

The complaint

Mr Y complained about IG Index Limited. He said he did not understand what he was signing up for or how Contracts for Difference (CFD) trading worked. He said IG allowed him to take on too much risk and it shouldn't have done this as he was an inexperienced investor. Mr Y said he was also given advice by IG to carry out trades. Mr Y said IG's actions led to him making significant losses. He would like IG to compensate him for this.

What happened

Mr Y opened two Contracts for Difference (CFD) trading accounts with IG in 2013. His last trade was executed on one of the accounts in 2015 and on the other in November 2018.

Mr Y said he had no experience in CFDs when he opened the accounts, there was a language barrier, he had not received any education or had any relevant qualifications in the profession. Mr Y said IG shouldn't have allowed him to trade or continue to trade.

Mr Y said the vast majority of trades were made, based on advice received by the IG account manager. He said pursuant to advice received, he incurred substantial losses on both accounts, and IG should be held responsible for this.

Mr Y said he had large amounts of funds to invest at the time, but he was in no way aware of how things worked and did not understand the risks associated with trading in CFDs or spread betting. He gave examples of significant losses he made. He said that although most of the trades occurred several years ago, he has only now obtained the sufficient knowledge to bring about a complaint. He said he has suffered from mental health issues because of the large number of losses he has incurred.

Mr Y said IG should have warned him that trading in CFD's and spread betting was not appropriate for him. He said IG also failed to act in his best interests, in allowing him to continue to spread bet, even though it ought to have been aware it was causing him harm. He complained to IG about this.

IG said in response that it provided an execution only service and did not advise Mr Y about any of his trades on either of the two accounts.

IG said it considered any issues Mr Y had with regards to one of his accounts, ending in 229 to be outside of our services jurisdiction. It said everything to do with this account happened more than 6 years ago, as Mr Y's last trade took place in 2015. So, it didn't consider that account to be something that could be looked at.

IG said Mr Y was appropriately assessed as a client with his other account, ending in 880. It said he exceeded the assessment criteria by a substantial margin. It said he was also represented by a stock broking firm, who were involved in Mr Y becoming a client from the outset. It said this firm held power of attorney over Mr Y's affairs at that time, permitting it to trade on his behalf. It said it was not in breach of contract or of any statutory duty and is not responsible for any losses suffered by Mr Y. It said Mr Y took his own decisions about what to trade in, and it wasn't responsible for his losses.

Mr Y was not happy with IG's response and referred his complaint to our service.

On 17 May 2023, the investigator issued a view about Mr Y's complaint and considered his points made. She said she didn't think IG needed to take any action. She said Mr Y had authorised a professional stockbroker with expertise in trading CFD's and spread betting to provide advice to him.

The investigator said she couldn't see how IG should be held responsible for Mr Y's losses given he had authorised a stockbroker to make trades on his behalf. She said Mr Y also had support from a family member as well. She said she would find it difficult to agree that Mr Y didn't understand how his trading accounts worked, as he had professional and family support. She concluded that IG were an execution only platform and did not provide advice on trading. She said the number of trades carried out by Mr Y suggested that he had accepted the risks of CFD and spread betting albeit trades had not gone in his favour.

Mr Y was not in agreement with the investigator's view. Mr Y's representatives said it would like Mr Y's complaint appealed as it does not believe the facts have been correctly interpreted.

Mr Y's representatives made the following points:

- Mr Y's complaint is similar to another complaint that has been looked at and upheld by our service. The facts of Mr Y's complaint mirror this one and should be used as a precedent.
- IG shouldn't have allowed Mr Y to make such risky trades, due to him being inexperienced and not understanding leverage and how CFDs work. It said Mr Y was also being given advice by IG about which trades to make.
- The power of attorney mentioned by the investigator for a stockbroking firm is in relation to the other account, not being looked into by our service. It said this is of no relevance to this complaint.
- IG failed to act on Mr Y's best interests, and he subsequently suffered substantial losses because of this. IG should be held liable for this.

Mr Y's complaint has been passed to me, an ombudsman, to look into.

I can see both parties have agreed with the investigator about jurisdiction. So as this is not in dispute, I have proceeded to looking into Mr Y's concerns within the parameters agreed upon by the parties. I have looked into transactions carried out by Mr Y between 29 March 2016 and 21 November 2018 for one account only, this being the one ending in 880.

That said, I have mentioned events that took place before these dates, as they help show context about the relationship between IG and Mr Y, leading up to him carrying out trades within the dates that I am looking at. This has helped me arrive at what I think is a fair outcome in all the circumstances of Mr Y's complaint.

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

Mr Y said the crux of his complaint is that IG shouldn't have allowed him to carry out such risky trades because he was inexperienced and didn't know how CFDs worked. I have looked into this.

I have read through the documentation provided by the parties about when Mr Y opened his account ending 880. Again, the events that took place in 2013 are not within the time frame that I am considering, but it is helpful to see how Mr Y became a client so I can consider whether IG treated him unfairly when he carried out his trades between 2016-2018.

IG said Mr Y scored highly in its appropriateness test. It said Mr Y was also represented by a stock broking firm, that had a power of attorney to make decisions on Mr Y's behalf. Latterly, Mr Y also agreed for a family member to have a power of attorney, to make decisions too.

Mr Y said that the stock broking firm were acting on Mr Y's behalf with his other account, that is not the subject of this complaint so not relevant. I have looked into this and read the power of attorney document. I can see that there is no mention specifically about either account on the form. It looks to me that it is a power of attorney between the stockbroking firm, Mr Y and IG regarding its services in general. In addition, I can see that Mr Y arranged for the power of attorney to be set up on 16 May 2013, the same day as he opened account ending 880. The other account was not opened by Mr Y, until several days later. So, I think on seeing this, it is more likely than not the case that the stockbroking firm did have power of attorney on the account in question, and this was one of the main reasons why Mr Y was approved for an account, along with the high score he achieved in his appropriateness test. Mr Y, and the stock broking firm then began making trades on both accounts from this point.

Again, I have considered what has happened between Mr Y and IG above to give context, to the scope of this complaint agreed by the parties, this being about the trades that Mr Y carried out between 29 March 2016 and 21 November 2018.

By 29 March 2016, I can see Mr Y had carried out many trades on his account and would have gained experience by doing so, including how leverage works, and the risks involved. Mr Y would also previously have had support from the stockbroking firm and a family member and as I have already concluded more likely than not understood the risks involved. So, when I consider this, I don't think IG was treating Mr Y unfairly by continuing to provide its services to him, under the terms that he had signed up to within the dates in question.

Mr Y through his representatives said Mr Y was given advice to make trades by the account manager assigned to him by IG. I have looked into this, in relation to the trades Mr Y made in 2016-2018. In doing so, I have not seen enough evidence that shows me IG through its account manager or in general, gave advice to Mr Y about any of the trades during the dates in question.

I can see that Mr Y was using the service on an execution only basis and making his own decisions to trade during this period, about what to trade in, how much and when. I haven't seen any evidence that IG hadn't carried out its services to Mr Y within the terms and conditions that it set and so I don't think it has treated him unfairly here either.

Finally, Mr Y's representatives have referred to another complaint our service has looked into. It has said there are similarities between Mr Y's case and that one, and our service

upheld it. I have looked at the complaint it has mentioned and can see that the circumstances were different. Within my remit, I need to consider each complaint on its own merits. This means, in Mr Y's complaint, I have considered his individual circumstances. In doing so, for the reasons I have given above, I don't think IG have been unfair or have made any mistakes that I can see, in providing services to Mr Y for his account ending 880 between 29 March 2016 and 21 November 2018.

I appreciate that my decision will be disappointing for Mr Y and his representatives. But based on everything I have read and the findings I have given, I don't uphold Mr Y's complaint.

My final decision

My final decision is that I do not uphold Mr Y's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 11 June 2024.

Mark Richardson
Ombudsman