

The complaint

Mr M complains that IG Index Limited failed to inform him about overnight funding charges that applied to cash 'spot' commodity positions on his Contracts for Difference (CFD) trading account.

What happened

Mr M opened his account with IG in March 2020 and since then has been a regular trader of a variety of products. In December 2022 he opened several Natural Gas positions on his account, which as spot positions, as opposed to futures contracts, had no expiration dates. This meant they could be held indefinitely, but due to the way the products were priced, would be subject to daily financing adjustments, positive or negative, if held overnight.

In May 2023 Mr M contacted IG to query these adjustments, which at that point represented a deduction to his account balance of around £500 daily. He was very unhappy that the potential for the deductions hadn't been explained to him, particularly during previous correspondence with his account manager many months earlier. He felt that if it had been, he wouldn't have continued to maintain the positions.

IG offered to roll the spot positions into futures contracts to avoid the ongoing adjustments. But Mr M said he would keep them as they were, pending the outcome of a complaint to IG that he had been misled.

IG issued a formal response to the complaint in which it reiterated how its spot products were priced and explained that as an execution-only broker it felt it had made all relevant information available to Mr M. It also didn't consider there'd been any failings on the part of his account manager, or any other staff members, in the way earlier queries had been handled. At this point IG also took the step of putting Mr M's account to 'close only' as it was concerned by comments he'd made about the impact the matter and more general use of the account was having on his financial and mental wellbeing.

The complaint was referred to this service, but our investigator also didn't feel it should be upheld.

She first considered the general appropriateness of the account for Mr M and was satisfied IG had sought the required information from him at the account opening stage in 2020 and that it appeared appropriate for IG to have provided the trading facility to him.

She was also satisfied that, as an execution-only service, IG had provided clear, not misleading information in accordance with the requirements of the terms of the account. And that, in this respect, it had been Mr M's sole responsibility to monitor the account and make trading decisions.

In respect of the crux of the complaint – the daily financing adjustments – she was satisfied IG had answered Mr M's enquiries fairly and accurately and provided him with additional specific information about the product's pricing when requested.

Mr M strongly disagreed with the investigator's view and felt the complaint had been misunderstood. He maintained that it was clear his account manager had failed to give him important information about the pricing when asked, which had influenced his decision to maintain the positions and led to him incur a significant loss.

As no agreement could be reached, the matter was referred to me to review.

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'd like to acknowledge Mr M's strength of feeling about the matter and the impact it's had on him. This has clearly been a very difficult experience. I can assure him I've looked carefully at all the related documentation and reviewed in detail the telephone conversations between him and IG. But having done so, I don't think the complaint should be upheld. I'll explain why, focussing my comments on what I think is relevant. If I don't comment on a specific point, it's not because I've failed to consider it. Rather, it's because I'm satisfied I don't need to comment on it in reaching what I think is a fair and reasonable outcome.

It's clear Mr M believes strongly that IG should give much clearer, more prominent warnings about the specific risks associated with the different products it provides. The daily financing adjustments applicable to its spot commodities products being a prime example of this.

While I accept there could always be more that IG, or any other business, *could* do to warn customers I've not seen there was anything in Mr M's case that IG failed to do that it *should* have done. As the investigator highlighted, it provides an execution-only service, and in doing so has a responsibility to provide clear information about its products that enables its customers to make their own decisions about how to trade. Looking at the information it provides on its website, I'm satisfied it did this. I should also say for completeness that I've seen nothing to suggest IG priced the product incorrectly at any point, or in any way that's inconsistent with its terms or pricing policies.

That said, I'm very conscious that, general information aside, Mr M's concerns focus more on specific, individual instances of information provision where he feels he was failed by IG.

As noted, Mr M opened the positions in December 2022. In support of his complaint, he's pointed to two email exchanges with his account manager that occurred soon after, in January 2023.

On 10 January 2023 he emailed saying "*Just to confirm, my positions in Natural Gas will not expire*", to which his account manager replied, "*Yes you are holding our undated contracts so you can hold it for as long as you wish.*"

Mr M feels that at this point his account manager should've alerted him to the specific risks involved with the pricing mechanism for the product. But given the nature of his query – simply seeking confirmation regarding the product's expiration – I don't feel there was any responsibility placed on the account manager to provide information about pricing, or indeed any other feature of the product. I think the response was reasonable in the circumstances.

A week later, on 17 January 2023, Mr M emailed again, asking about how the price for the product was determined. The account manager gave a brief explanation and provided a link to a page of IG's website, "*How are spot commodities priced, and how is my overnight funding calculated?*"

Mr M again questioned what he saw as a differential in IG's pricing of Natural Gas, and the account manager provided some more information about how the spot price was determined and why it wouldn't precisely follow the futures price.

A further email from Mr M providing a screen shot of the pricing information he was looking at was replied to by the account manager the following day. He clarified that Mr M was looking at the futures contract price and not the price of the undated spot product he held. The account manager provided some more information about how the market was trading and how this was impacting the price, provided the website link again and suggested Mr M contact him again after reading it if he had further questions.

I've noted the comments about this second exchange that Mr M made during the telephone calls to IG in which he raised his concerns a few months later in May 2023. He felt the information provided in January was of little use, not clear and, in effect, an attempt to hide the pricing information from him.

But again, looking objectively at the second email exchange, I don't think the account manager's responses were unreasonable or misleading. I accept that the methodology for determining the price adjustment is complex. But the information was provided, and Mr M could've sought further clarity or reassurance if he was uncertain about it.

And of note is the fact that during January 2023, when the email exchanges occurred, the financing adjustments were actually positive. So, at that time Mr M's account was seeing daily *deposits* to his balance, rather than the withdrawals that came later in the following months, and which prompted his complaint. As such, I can understand that the pricing issue wouldn't initially have been such a concern. But ultimately, it remained Mr M's ongoing responsibility to ensure he understood the trades he was making and the consequences of maintaining the positions. And I think IG provided sufficient information in that respect.

Mr M has also raised concerns with a call he had with another IG staff member in May 2023 when he first called in to query the negative adjustments to his account. I've listened closely to that call, and its follow-up, but again I don't feel IG acted unreasonably or incorrectly.

Mr M says that the staff member was evasive and over-emphasised the much smaller 2.5% daily fee (approximating to around £17 per day) that IG charged alongside the daily adjustment. But listening to the call impartially I think the staff member genuinely tried his best to help Mr M, so he might better understand the situation, and try to reach some sort of resolution. I think the staff member's focus on the fee rather than the much larger adjustment was driven by the fact he wasn't initially aware of what product was being discussed. It was only around seven or eight minutes into the call that Mr M agreed to give the staff member some details so he could look at this account and confirm the product.

And although Mr M feels that the call closed with the staff member effectively making an offer of some sort of reimbursement, I don't think that's the case. The offer made was to try and reach a resolution and to provide information about the charges that had been applied since March 2023, which I understand was later provided.

Another point Mr M has raised relates to him being told that the spot product was designed for day trading and that this was also something he should've been made aware of much earlier. It appears that it was during the initial call in May 2023 that the staff member, at the point of realising the type of product being discussed, commented that the spot product was "*primarily designed for day trading*".

I can understand why this comment would've compounded Mr M's dissatisfaction. But it

wasn't incorrect (in the main spot trading is considered more of a short-term approach) and it also doesn't in my view mean that anything IG said or did prior to the comment was wrong. As I said earlier in respect of the more general information that IG provided, I accept there was more information that *could* have been provided. But there was nothing in my view that *should* have been provided but wasn't. There was no onus on IG to reiterate risk warnings already given or provide information that hadn't overtly been asked for.

So, overall, while I recognise Mr M will be very disappointed and disagree strongly with my findings, I'm unable to conclude that IG acted incorrectly.

I should also add that, given the comments made by Mr M while discussing the matter with IG concerning the impact of it on him and his state of mind, I think the decision by IG to put the account to 'close-only' so no further positions could be opened was a fair and pragmatic decision in the circumstances. It's what I'd have expected IG to do considering its regulatory responsibilities and requirement to treat customers fairly.

My final decision

For the reasons given, my final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 September 2023.

James Harris
Ombudsman