

The complaint

Ms C complains that Trading 212 UK Limited put a block on her stocks and shares ISA account due to her not providing additional personal information.

What happened

Ms C opened a stocks and shares ISA with Trading 212 in April 2020. When she accessed her account online in May 2023, she was prompted to complete some re-verification questions. She says she answered the first few questions as they seemed reasonable questions to ask for Know Your Customer ("KYC") regulation purposes. However, she says she was then asked questions regarding her investments outside of her ISA which she didn't think were relevant. She says she believed these questions were designed to target her to sell her further financial products. So she declined to answer these. As a result of not completing the re-verification questions, Ms C says her ISA account has been blocked.

Ms C complained to Trading 212 as she felt it had unfairly placed the block on her ISA account preventing her from trading. She said she wanted full functionality to be restored on her account and compensation for the amount time it has taken to do so.

Trading 212 considered Ms C's complaint but didn't uphold it. In summary, it said:

- KYC is a standardised procedure that is mandatory for all its clients.
- Not completing KYC checks may result in limitations placed on clients' trading account or in the termination of its business agreement.
- Trading212 requires personal information in order to adhere to its statutory and regulatory obligations.

Ms C remained unhappy and so she referred her complaint to this service for an independent review.

One of investigators considered the complaint but didn't uphold it. In summary, they felt Trading 212 was able to ask the questions it did of Ms C in order to adhere to KYC regulations, to prevent fraud, money laundering and terrorist financing, as well as to assess the appropriateness of her account. They also said Trading 212 under its terms is able to place a block on Ms C's account if she didn't provide the required information.

Ms C didn't accept the investigator's findings. In summary, she said:

- She has an execution-only account and under the Financial Conduct Authority rules, Trading 212 isn't required to obtain personal or financial information about her for an execution-only transaction.
- She had only ever traded equities, but the questions asked her about more complex products she had no experience of.

As no agreement could be reached, the complaint has been passed to me to decide.

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.

Trading 212 has provided a copy of its share dealing service terms of business. These explain:

"5.1. We are required under the law and regulation to verify the identity of our customers. We have undertaken a risk-based approach to this process, which might require obtaining among other things, documentary proof of your name, date of birth and address. You shall agree that we may use additional online electronic verification tools that might request among other things further details, documents, photo and video evidence from yourself. If you cannot satisfactorily prove your identity, you may not be able to open an account with us or may have to close your existing account.

[...]

5.8. If you do not comply with these obligations in this clause 5, this may affect the way we can provide the service to you and we may:

- a. refuse to open an account for you or accept your assets;*
- b. refuse to deal for you;*
- c. refuse to make payments or transfer Investments from your account;*
- d. close your account; and/or*
- e. take any other responsible step necessary to comply with regulatory requirements."*

So it's clear Trading 212 was able to request information from Ms C which is required under the law and regulations, in order to identify her. And if she failed to do so, Trading 212 could take the appropriate action listed above.

There are various rules and regulations that Trading 212 has to comply. Some of these include KYC regulations in which firms are required to take several steps to establish customer identity; understand the nature of customers' activities and qualify that the source of funds is legitimate. There are also anti-money laundering regulations; requirements to identify vulnerability in customers; as well as ensuring products meet the needs of its identifiable target markets. It's important to understand that these regulations don't set out a prescribed set of questions for a firm to ask. Instead, the regulations give a firm scope to ask relevant questions to ensure it gathers enough information to meet its regulatory obligations.

Trading 212 has provided screenshots of the questions that it asked of Ms C as part of the re-verification process. These screenshots show which questions Ms C answered and which were left incomplete. Having thought carefully about these, and considering the above obligations on Trading 212, I'm satisfied there were some relevant questions which Ms C ought to have answered.

Some of the unanswered questions were about the source of her investment funds. I'm satisfied Trading 212 was required to ask these in order to meet its KYC obligations and to prevent money laundering. So I think Ms C ought to have answered these in order for Trading 212 to re-verify her.

I appreciate that some of the questions on the face of it appear to be about appropriateness and I agree that Trading 212 isn't expected to test appropriateness on an execution-only account. However, I'm satisfied these questions, on the whole, are an information gathering

exercise to either identify any possible vulnerability or to ensure the product meets the needs of its identifiable target market.

However, I do appreciate why Ms C feels some of the questions were designed to target her to sell her further financial products. I say this as some of the questions were specifically about contracts for differences. I understand she hasn't invested in these and hasn't expressed an intention to, so I don't think these questions are relevant and I'm not persuaded they were asked with Trading 212's regulatory obligations in mind.

With that in mind, I'm satisfied Ms C didn't answer all the questions Trading 212 required and so it acted fairly in taking action to suspend trading until this information was provided. Whilst, on the whole, the questions were relevant and asked in line with Trading 212's regulatory requirements, I'm not persuaded the questions asked of her in relation to contracts for differences were relevant and are not required to be answered in order for her to continue trading in stocks and shares.

My final decision

My final decision is that I do not uphold Ms C's complaint against Trading 212 UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 15 January 2024.

Ben Waites
Ombudsman