

## **The complaint**

Mr V complains that he bought actual shares in four companies through eToro (UK) Ltd (eToro) and not American Depositary Receipts (ADRs). He is unhappy as trading in them has been suspended.

## **What happened**

Mr V says he bought shares through the eToro platform in four Russian companies on 1 March 2022. Shortly after this and following sanctions imposed on Russian companies, trading in them was suspended. I have been made aware that three of them have subsequently delisted from the London Stock Exchange (LSE).

Mr V then complained to eToro. He said he wanted the shares certificated, so he could trade them over the counter. Or he would transfer them to a different broker to trade on the Moscow Exchange (MOEX). Failing this, he wanted eToro to pay him their current value on the MOEX.

eToro responded to Mr V to say that the Russian stocks he held were issued as Depositary Receipt programs (DRs). They said that the *“conversion and transfer process is complex, involves many counterparties, and many of the intermediaries are not processing these requests”*. They also felt that the conversion *“may be in conflict with sanctions requirements and potentially expose clients and/or eToro to sanctions risks”*.

Mr V remained unhappy and brought his complaint to our service for an independent review. He didn't believe he had bought Russian ADRs or that eToro had acted fairly. He said that if the stocks he held were Russian ADRs, that hadn't been made clear to him. Our investigator looked into it. He acknowledged that it wasn't the responsibility of the business that sanctions had been imposed and trading suspended. He believed eToro would have made it clear that Mr V was purchasing ADRs rather than actual shares and he thought eToro were acting fairly in not converting and certificating the stocks.

Mr V didn't agree. He said he felt he'd evidenced that the stocks weren't shown as ADRs at the time of purchase. As no agreement was reached, the case has been passed to me for a decision.

## **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.

Having done so, I have come to the same conclusion as the investigator. I'll explain why.

I am satisfied from the information provided that the stocks Mr V purchased were Russian ADRs and I believe, on a balance of probabilities that this was made sufficiently clear to him. Whilst we don't have a copy of the webpages Mr V will have seen at the time of purchase, we do have a log of what Mr V purchased and this details them as ADRs. I can't be sure what he saw, but I am satisfied it likely would have detailed them as ADRs as the purchase

log does.

Even if I'm wrong and eToro didn't explicitly state in the listing of the ADRs that they weren't the real shares, I don't think that means they are at fault. Mr V holds an execution only account, I consider it to be Mr V's responsibility to understand the product he's buying. The companies in which he wanted to invest were not available to buy shares in via eToro or any other platform that didn't have access to the Moscow Exchange. This is precisely the reason why companies arrange depository receipt programs – so that they can receive investment from investors in countries who wouldn't otherwise invest. In my experience the share issuing companies tend to detail both their share offerings and their ADR programs on their company website. A way to identify the difference is that the ticker name of the shares is different to that of the ADRs for each company.

So, though I accept eToro could have made it clearer on their platform, it doesn't follow that I think they misled Mr V into thinking he was buying the underlying shares in these companies. Mr V is clearly unhappy that eToro won't convert these ADRs into shares for him, as he hopes they can be certificated and then traded. eToro have provided us with a copy of the relevant terms and conditions. I haven't seen anything that suggests eToro allows customers to convert and certificate ADRs using their service.

I therefore have to consider if it's fair and reasonable of eToro to refuse to assist with the conversion. eToro themselves wouldn't be able to hold the underlying shares in these companies post-conversion, as they don't access the Moscow Exchange. So conversion would have necessitated Mr V sourcing an account that could hold the shares – which would likely have needed to be in Russia, and I understand that currently that is a difficult thing for an individual to do. Even if he could do that, I don't think eToro would be treating him unfairly by refusing to be involved in the conversion process. This is because following the unprecedented sanctions that went into place following Russia's invasion of Ukraine, there was a lot of uncertainty in the UK financial sector about whether (or how) assisting in the conversion process would breach any of those laws. Many firms have chosen to take a risk averse approach towards potentially breaching them, given the uncertainty, and have refused to assist. The level of risk a firm is willing to take (which has an influence on the products and services they offer their customers) is something I'm satisfied is at eToro's discretion.

I think it's also important to note, that even if they were able to and had agreed to, it's unlikely that Mr V as a UK based customer would be able to sell the shares. I say this because they would need to be traded through a Russian broker, but Russia currently bans anyone from the UK from selling Russian shares. Meaning I think it's very unlikely Mr V has suffered any financial loss from the refusal to convert the ADRs.

eToro did offer Mr V \$200 as a gesture of goodwill for the time it took them to provide an answer to his concerns. Considering this and the impact it had on Mr V, I think the offer is fair and I won't be asking them to do anything more.

In summary, I am satisfied that it was Mr V's responsibility to understand the product he was buying. I think on a balance of probabilities this will have been made clear to him through a different ticker name for the ADRs. I also don't think eToro are acting unfairly refusing to convert the ADRs, a service not provided for within the terms and conditions.

**My final decision**

My final decision, for the reasons stated above, is that the offer already made by eToro (UK) Ltd, of \$200 to put things right is a fair one. eToro (UK) Ltd should pay this to Mr V if they haven't done so already.

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

Yoni Smith  
**Ombudsman**