

## **The complaint**

Mr K complains that eToro (UK) Ltd closed his positions without properly attempting to contact him. He said that he didn't receive the emails it had sent him asking for additional documentation. He said eToro's decision caused him financial loss for which he required compensation.

## **What happened**

Mr K had a trading account which he primarily used to trade cryptocurrencies. In April 2022, eToro wrote to him to ask for certain documents – including a specific form, a copy of an identity document and a bill or bank statement. It asked for this information within 14 days as 'failure to do so will result in limiting your trading account, meaning you will not be able to open new trades, make any new deposits or request withdrawals'.

Just over two weeks later, eToro sent Mr K a further email. It said that it had not yet received these documents or a response. It gave Mr K another 14 days to provide them – and explained that if this didn't happen, it would lead to his account being reviewed 'which might lead to a closure of open positions and the refunding of any remaining funds'.

On 13 May 2022, eToro wrote to Mr K again. It explained that his account remained limited, and gave him 5 days to provide the relevant information or his account would be 'closed', and a further chase was set about a week later. eToro also called Mr K and sent another chaser on 31 May 2022. At it received no reply, on 12 June 2022 it closed Mr K's trades at the current rate – this crystallised losses for Mr K on the cryptocurrencies he owned.

In June 2022 Mr K complained to eToro and asked for his account and positions to be reinstated. It looked into his complaint, and didn't think it had done anything wrong. However, as a gesture of goodwill, it calculated the total amount of units Mr K had at the time of the closeout:

- 2362.979371 in XRP;
- 21.300804 in Ethereum Classic and
- 3.826933 in Dash.

It said that following the closure of his positions, he received \$1,042.01. And it said that in order to buy back the units above, Mr K needed to invest \$1,430.466 – the difference between the sum that was returned to him and this new figure being \$388.456.

This meant that Mr K would've been in exactly the same position he would've been had the closeout not occurred. eToro agreed to compensate Mr K \$390 in order for him to reopen his trades and made this payment to him.

However, Mr K remained unhappy and claimed that he should be refunded his 'paper losses' of over \$7,000. He said that if he hadn't been closed out, he would've waited until the prices of the various instruments recovered. When agreement couldn't be reached, he referred his

complaint to this service.

One of our investigators looked into Mr K's complaint but didn't think it should be upheld. She said that eToro needed to comply with regulatory requirements that required Mr K to provide certain information to it. He was warned what would happen if he didn't. She found that eToro called and emailed Mr K to ask for this information but received no reply – she also found that it had sent him some chaser emails. As Mr K didn't reply, eToro was entitled to go ahead and close his trades – and it was only at this point that Mr K provided it with the information it had asked for. At this point, eToro offered to reinstate Mr K's trades but he declined.

Mr K disagreed with the investigator. He said he provided information when he first opened his account, and he thought he had provided everything that was required. He said he had completed the W-8BEN form twice in order to invest in the US stock market, but he never went ahead and invested. The last time he had completed the form was in October 2020, and this form had all the required details on it – including his national insurance number his address and everything else required to verify his account.

He also said that clause 12 in the agreement says that it could freeze, block or close the account – so why did eToro take the extreme measure, turning his 'paper losses into real losses'? Mr K said that he thought everything was ok and he maintained that he was never notified that more information was required from him, particularly as he had opened his account so long before. He repeated his claim for \$7,799 losses.

As agreement couldn't be reached, the case was 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.

I'm sorry to disappoint Mr K, but I don't have much to add to what the investigator has told him.

I've seen the chain of emails and attempts to contact Mr K – I'm satisfied eToro made all reasonable attempts to elicit relevant information from Mr K, and I agree with the investigator that eToro was entitled to request this information from Mr K. Mr K has queried why it went ahead and closed his trades, instead of freezing or blocking his account – but it's clear to me that it had already taken these steps before liquidating his account. Mr K's account was limited to managing open positions for over a month before it decided it had no option but to close his trades. So I'm satisfied it was fair and reasonable, having attempted to contact Mr K multiple times and having already frozen his account, to use the power it had under the terms to take this action.

Furthermore, even if I thought eToro had done something wrong, its offer would've put Mr K back in the position he would've been in. Mr K's claim for a refund of over \$7,000 would not be fair and reasonable, because it would put him in a better position than he was at the time.

eToro's payment of \$390, plus the amount that was refunded to Mr K when the cryptocurrencies were sold, essentially put Mr K back in the position he was at the time – with the same number of units in the cryptocurrencies he was invested in and the same net position. His 'paper' losses were due to him buying these cryptocurrencies in the past, at far higher prices than they were in June 2021. If Mr K believed that these assets would

appreciate in value in the future, he had an opportunity to benefit from any growth at that moment in time as if his assets had never been sold. This means that eToro's offer was also fair and reasonable.

For all these reasons, I'm satisfied that Mr K was treated fairly and reasonably by eToro and it needn't do anything further to put things right.

### **My final decision**

For the reasons I've given, I don't uphold Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 4 January 2024.

Alessandro Pulzone  
**Ombudsman**