

## **The complaint**

Mrs S complains about the way CMC Markets UK plc closed some of her trades, causing her a financial loss. She says there was an error by CMC's platform and she has lost out as a result.

## **What happened**

Mrs S had a Contracts for Difference (CFD) trading account with CMC Markets. On 26 November 2011 Mrs S had a number of long and short positions open on the SP500 cash market – her overall net exposure was 96 units long. Although Mrs S was running an overall unrealised loss, she continued to have sufficient margin to keep her positions open.

At 16:11 a short position of 100 units on the same market was closed. This led to her account being net long by 196 units, increasing her overall margin requirement to around £33,823.66. This meant that her 'target' close-out level (that is, 50% of her margin requirement) was £16,911.83 – and as her account equity was only £16,678.39 her positions were liquidated by CMC Markets.

Mrs S initially telephoned CMC Markets and asked for her account to be reinstated. In her call she explained that her closeout level was not £16,000 but £11,000, and she didn't understand what had happened. She said it wasn't fair that all her positions were closed. CMC Markets initially considered her request, but explained that as she was overall net long, her account had been liquidated correctly. It offered to reinstate her trades, but only if she was able to add more margin to the account, as her account would otherwise be liquidated again. CMC Markets also explained that in any event, the price had continued to drop, meaning that if she wanted to open more long positions she could do so at a cheaper price than the one she had been liquidated at. Mrs S said she couldn't add any more money. She reiterated her complaint that she had been liquidated incorrectly, and raised a complaint.

Before responding to her complaint, CMC Markets offered Mrs S a goodwill gesture in full and final settlement of the complaint which it said represented 'the best possible relative outcome for your account from this point'. Mrs S accepted this goodwill gesture, and was able to withdraw this sum from her trading account.

Shortly after this, CMC Markets issued a final response to her complaint. It considered that it hadn't done anything wrong. It said she had closed a short position at 16:11 and this had triggered the closeout. It explained how account hedging worked, and what happened when Mrs S had closed her trade at 16:11.

Mrs S referred her complaint to this service. In summary, she said one of her short positions was closed at 16:11, which triggered the liquidation of her account, closing all of her positions. However, she said she had never closed that trade and in fact had opened another short position 4 minutes earlier. She said that her overall position was long '96 units', which meant that the liquidation level should've been at £10,000 not £16,000. She initially asked CMC Markets to reinstate her trades because of this, and confirmed that the

liquidation had been carried out incorrectly. She said that she wouldn't have closed the short position herself because she was aware of the effect this would have on her account – she explained there was 'a clear stop sign, saying if you close this position your account will be closed'.

She also referred to previous problems CMC Markets had on its platform, and said she believed those same problems affected her trades on 26 November. She also complained that she was originally told that CMC Markets would look into the issue and could carry on opening trades, but she was then later told her trades wouldn't be reinstated because of further activity on the account. Finally she complained that the price she received for her S&P500 trade was different to other live charts she had looked at and believed that CMC Markets had stolen her money.

One of our investigators looked into Mrs S's complaint, but didn't think CMC Markets had done anything wrong. In short, she said that CMC Markets was clear about margin requirements, and what would happen in the event of insufficient margin. She said that the evidence showed that Mrs S's account did not have sufficient margin at the time, and therefore CMC Markets was correct in closing her open trades.

Mrs S didn't agree with the investigator. She said that CMC Markets had previously had problems with its platform, and this should be taken into account. She also maintained that she didn't close the relevant trade. She also said that she telephoned CMC Markets immediately and was told her positions would be reinstated.

CMC Markets provided additional evidence. This showed:

- Mrs S was logged in at the relevant times. The logs showed that she had placed a short order of 100 units of SPX500 cash on 26 November 2021, and this was closed at 16:11 on the same day. It explained that Mrs S would've clicked on the 'X' button next to the relevant order in order to close it.
- It said that if it had been CMC Markets that had closed this trade, rather than Mrs S, a different source channel would've showed on the internal logs and it provided an example of this.
- It also explained that Mrs S was initially told that her positions could be reinstated if she was able to add additional equity to the account, but Mrs S was unable to do this. It offered her a goodwill payment of £1,690 in order to resolve the issue, which Mrs S accepted.

The investigator reviewed this evidence, and provided her final assessment. She concluded that CMC Markets had provided persuasive evidence that Mrs S had closed the relevant trade, and that her account was liquidated fairly and reasonably. She didn't consider there was sufficient evidence to conclude CMC Markets had done anything wrong, and therefore did not consider Mrs S's complaint should be upheld.

Mrs S didn't agree. She maintained she had never closed that trade, and that was the only reason she needed to add further money to the account. 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 understand Mrs S's strength of feeling about what happened, and how adamant she is that she never closed the relevant trade that sparked the liquidation of her account.

Unfortunately, however, the evidence I've seen persuasively shows that the trade was closed by her, on her phone, and not CMC Markets. This evidence includes internal logs of her account which persuasively show that she closed that trade and not CMC Markets. Whilst I accept she disputes this evidence, I'm sorry to say that her testimony is not enough to outweigh the evidence CMC Markets has provided.

Ultimately, I'm persuaded that the closure of that trade was likely not something Mrs S was intending on doing. She may have done this by error, or had perhaps misunderstood the overall net position of her account in relation to the market she was trading on. But whatever the reasons behind this closure, I'm satisfied it isn't something that I can hold CMC Markets responsible for.

CMC's platform worked as intended – it received a market order from Mrs S, and it executed it. So in terms of the trade itself, for the reasons I've given, I agree with the investigator and conclude there was no error in CMC Markets execution of it. I should say that I've also seen insufficient evidence that the price it gave Mrs S was not representative of the market.

Having accepted that this trade was placed by Mrs S, it automatically follows that I don't uphold the remainder of her complaint. This is because once that trade was executed, the margin required for Mrs S to keep her trades open increased substantially.

I'm satisfied the evidence shows that the level of unrealised losses on Mrs S's account was such that she immediately had less than 50% of the required margin available – and this triggered the automatic closeout of her trades. As she has already been told, this wasn't something CMC Markets could do anything about – it was an automatic process that it was legally required to carry out.

I've also listened to the calls Mrs S had with CMC Markets immediately after the liquidation. I'm satisfied it never told her it had made an error, and in fact Mrs S was repeatedly told that the liquidation had been carried out correctly.

Furthermore, I agree she was offered a reinstatement of her trades – but only in the event she add more margin, which she was not willing to do. I accept that she says she was only asked to add more margin because of the closure of the short position that she disputes – but even before that, her account was net long on the S&P500. And since the value of the S&P500 was dropping, she would've been at risk of closeout in any event.

For all these reasons, I'm satisfied CMC Markets acted fairly and reasonably when it liquidated Mrs S's open positions. I'm sorry to disappoint Mrs S, but I don't uphold her complaint.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 11 December 2023.

Alessandro Pulzone  
**Ombudsman**