

The complaint

Mr I complains that IG Markets Limited ('IG') wrongly closed his trading position and caused him a loss. He wants IG to compensate him for the loss.

What happened

Mr I had a trading account provided by IG. The account was execution-only which meant Mr I was responsible for his trades and IG didn't advise him or manage his trades for him.

In his IG account Mr I purchased a EUR/USD option. He paid for the option without using any leverage. IG closed the option because Mr I's account had gone into deficit. The reason Mr I's account went into deficit was that IG applied an interest charge to the account.

Mr I complained to IG. IG didn't uphold the complaint. In summary it said it had closed Mr I's position in line with its margin policy. It provided a screenshot showing Mr I's account was in deficit at the time of the closure. The screenshot showed Mr I had purchased an option for £6.50. The required deposit showing was £6.50. And Mr I's total surplus/deficit was -£0.07.

IG said that when using a leveraged spread betting account Mr I was responsible for managing the balance on his account by ensuring his margin was covered. It said Mr I still had a margin requirement even if his position wasn't leveraged. In this case the margin was the amount of the premium of the one position Mr I held in his account at that time. The premium was the amount required to buy the option. IG said this meant that when Mr I's account went into deficit he no longer met IG's margin requirements. It said that it didn't permit a negative balance on Mr I's account and that's why it closed his position when the account went into deficit.

Mr I referred his complaint to this service. He said closing an option that wasn't leveraged wouldn't help his negative balance because it wasn't using any margin. Mr I said the sale caused him to miss out on more than £100 which he would've gained when the option matured. He wanted IG to compensate him for that amount.

IG sent us some information including its customer agreement for Mr I's account. Section 17 included that if an event of default occurred, IG could, at its discretion and without notice, close his positions. The agreement defined margin as *'The amount of money that you are required to pay us in order to open and maintain a Bet ...'*

One of our Investigators looked into Mr I's complaint. In summary, he said IG had acted in line with the terms and conditions of the account. He said when Mr I had opened the position that IG later closed, Mr I hadn't taken into account the interest he owed. And that meant he used too much of the equity in his account and a margin deficit was created. The Investigator said the fact that the position IG closed wasn't a leveraged position was irrelevant.

Mr I didn't agree with the Investigator's view. In summary he said closing a margined position was sometimes necessary to protect against further losses, but in this case IG didn't need to close his position because there was no possibility of further losses.

Because no agreement could be reached, the complaint was passed to me to review afresh and make 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'm not upholding the complaint. I'll explain why.

The purpose of this decision is to set out my findings on what's fair and reasonable, and explain my reasons for reaching those findings, not to offer a point-by-point response to every submission made by the parties to the complaint. And so, while I've considered all the submissions by both parties, I've focussed here on the points I believe to be key to my decision on what's fair and reasonable in the circumstances.

Having looked carefully at what happened here, I'm satisfied IG acted in line with its terms and conditions when it closed Mr I's account. Although the option Mr I opened wasn't leveraged – meaning he didn't borrow any money to open it and instead he funded it fully with his cash deposit – Mr I was still subject to IG's rules, as set out in the customer agreement. The agreement said IG could close a position if an event of default occurred. Under the agreement events of default included '*failure to make any payment (including any payment of Margin)*'. Mr I hasn't disputed that his account was subject to an interest charge which his account had no available funds to pay at the time. So I think that – even if I thought the rules for margin didn't apply to Mr I's position because it was unleveraged (which is not a finding I have made) – an event of default did occur on Mr I's account. And that event of default entitled IG to close his position.

Mr I said IG didn't need to close his position because there was no possibility of further losses, and Mr I said the purpose of closing a position was to prevent further losses. It's true that closing a client's positions is a method of limiting credit risk. In this case IG's reason for closing his position was that his account had already gone into deficit and IG said it doesn't permit accounts to be in deficit. And IG's customer agreement doesn't say IG won't close a position if the potential losses are limited to a small amount.

As with any terms of business, I'd expect IG to act fairly when implementing its terms for handling defaults and closing positions. But I've found no reason to say it wasn't fair for IG to close the position it closed in Mr I's account. Although Mr I noted the amount of his default was '*pennies*', it was nonetheless a default. And the amount of Mr I's premium was also relatively small. So although I can understand Mr I's frustration, I can't conclude IG has treated him unfairly. So I won't be asking IG to do anything.

My final decision

For the reasons I've set out above, my final decision is that I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 17 May 2024.

Lucinda Puls
Ombudsman