

## The complaint

Mrs M complains that Plus500UK Ltd ('Plus500') unfairly restricted her contracts for difference (CFD) trading account, stopping her from making deposits. She says that those restrictions resulted in her incurring avoidable losses.

Mrs M would now like Plus500 to refund the monies that she deposited that were in excess of the £5,000 that she originally stated she had available to trade each year.

## What happened

As part of their ongoing checks in March 2023, Plus500 reviewed the appropriateness of Mrs M's account. That's because, Mrs M's deposit activity at that stage had exceeded her stated salary, savings and the amount of money she told them that she'd have available at the time of her account opening, to trade.

After Plus500 had asked Mrs M for clarification on her financial position, she responded to them, explaining that she wasn't going to deposit any additional funds because she was losing money. At the same time, Mrs M wanted to understand why they had recently stopped her from depositing additional funds into her account.

As Mrs M didn't inform Plus500 of her current available funds for the year, they decided to issue notice of their intention to end their relationship. They explained to Mrs M that they were restricting her ability to open new positions on 23 March 2023, but then required her to close out any final open positions by 6 April 2023.

Shortly afterwards, Mrs M decided to formally complain to Plus500. In summary, she said that she was unhappy that they had placed restrictions on her account and that she had been unable to add funds.

After reviewing Mrs M's complaint, Plus500 concluded that they were satisfied they'd done nothing wrong. They also said, in summary, that the restrictions that they had placed on the account only applied from 23 March 2023 and that only related to the opening of new trades. Plus500 said that they hadn't restricted Mrs M's ability to add new monies to her account that could prevent her from avoiding margin calls. Plus500 also said that they were well within their rights to end the relationship given that Mrs M's account funding wasn't in line with her stated finances that she set out at the beginning of their relationship.

Mrs M was unhappy with Plus500's response, so she referred her complaint to this service. In summary, she repeated the same concerns and also said that she felt that in light of her losses, Plus500 should have restricted her account sooner. Mrs M also said that as Plus500 had stopped her from funding her account, it had prevented her from managing her positions, leading to losses that could've been avoided.

The complaint was then considered by one of our Investigators, he concluded that Plus500 hadn't treated Mrs M unfairly. Our Investigator went on to say that from what he'd seen, as

Mrs M hadn't provided them with the information that they needed, it was reasonable for Plus500 to have taken the action that they did.

Mrs M, however, disagreed with our Investigator's findings. In summary, she said that Plus500 hadn't allowed her to deposit any money so her positions were forcibly closed by margin call. Mrs M said she didn't believe the Investigator had reached the right outcome.

Our Investigator was not persuaded to change his view as he didn't believe Mrs M had presented any new arguments he'd not already considered or responded to. Unhappy with that outcome, Mrs M then asked the Investigator to pass the case to an Ombudsman 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.

I have summarised this complaint in less detail than Mrs M has done and I've done so using my own words. The purpose of my decision isn't to address every single point raised by all of the parties involved. If there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied that I don't need to comment on every individual argument to be able to reach what I think is the right outcome. No discourtesy is intended by this; our rules allow me to do this and it simply reflects the informal nature of our service as a free alternative to the courts. Instead, I will focus on what I find to be the key issue here, which is whether it was fair and reasonable for Plus500 to have stopped Mrs M from trading and whether they should have stopped her from doing so sooner.

My role is to consider the evidence presented by Mrs M and Plus500 in order to reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best industry practice. Where there's conflicting information about what happened and gaps in what we know, my role is to weigh up the evidence we do have, but it is for me to decide, based on the available information that I've been given, what's more likely than not to have happened. And, having done so, I'm not upholding Mrs M's complaint – whilst there's not a great deal more that I can add over what our Investigator has already set out, I'll explain why below.

The regulator, the Financial Conduct Authority (FCA), recognises that CFDs generally aren't suitable for most retail consumers. That's because they're complex in nature and they typically involve a high degree of risk because, more often than not, leverage is involved which as well as magnifying profits, can also magnify losses. So, there's a very real possibility that the consumer could lose all of their investment. In light of that, the FCA expects firms offering CFDs to undertake an appropriateness assessment with any consumer wishing to open an account, and that's to ensure that they understand the unique risks that apply to this type of investment. Whilst I won't repeat them in any level of detail here, the rules that the regulator expected firms to follow (at the time Mrs M's account was opened) when determining the appropriateness of a CFD account, are set out under COBS 10.1.2R.

Once Mrs M had been onboarded by Plus500, their responsibility towards her didn't come to an end. Whilst the regulator doesn't obligate firms to undertake an *ongoing* appropriateness assessment where consumers are trading complex financial instruments, they do expect firms to have an awareness of what their customers are doing. Whilst there

aren't any specific rules covering this, it is covered more broadly under the regulator's Principles rules (sometimes referred to as 'PRIN'). And, the two that are most relevant in Mrs M's case are PRIN2 and PRIN6:

- *PRIN 2: Skill, care and diligence – a firm must conduct its business with due skill, care and diligence.*
- *PRIN 6: Customers' interests – a firm must pay due regard to the interests of its customers and treat them fairly.*

And, it's because of this requirement, that Plus500 reviewed Mrs M's account activity and compared it to what she'd told them about how she'd be using the account when she originally went through the onboarding process with them. At the beginning of their relationship with Mrs M (in August 2020), she stated that she had an income of between '£15,000 to £30,000', with '£0 to £5,000' in savings and that she had had '£100 to £5,000' to trade with annually.

After opening the account, Mrs M deposited c£53,000 in the 31 or so months that followed, and all of those payments were made by debit, rather than credit card. Having looked at the size and frequency of those payments, I don't think there were any red flags that should have drawn Plus500's attention to the fact that something might not have been quite right with Mrs M's finances sooner. That's because, even though the payments appear to have been made in clusters rather than being spread equally across each of those months, they weren't that significantly out of line with her stated salary until the latter stages of their relationship, which is when Plus500 approached Mrs M, where they sought to understand whether her circumstances had changed.

In March 2023, Plus500 approached Mrs M and asked her to clarify her finances so they could update their records – specifically, they wanted to understand if her circumstances had changed because by that point, it appeared that the deposits she'd made were starting to look misaligned with what she'd declared about her financial situation (in August 2020). Given Mrs M failed to provide Plus500 with a picture of her updated circumstances and she expressed concerns about the money she was losing, they took the decision to put the brakes on her trading. And, I think that approach was fair and reasonable in light of the regulator's concerns of the risks that CFD trading poses to retail clients.

In her correspondence with this service, Mrs M has taken the view that Plus500 should have intervened sooner, stopping her losses before they reached the point that they did, but I don't think the level and frequency of deposits Mrs M made when compared to what she originally told Plus500 about her finances (at outset) would have given them cause for concern until the point at which they contacted her, asking for confirmation of her financial circumstances.

I also don't think it's reasonable to ask Plus500 to refund any of Mrs M's monies, even the slice of funds above the £5,000 that she said she had in savings to trade. That's because, based on what I've seen of Mrs M's circumstances, the monies she ultimately deposited weren't misaligned to what she originally stated she held.

I appreciate that Mrs M is disappointed that Plus500 decided to restrict her ability to undertake further trades and ultimately close her account, but given the risks involved in trading these types of investment, from what I've seen, it appears that Plus500 have done so with Mrs M's best interests at heart after concluding that their account wasn't appropriate for her.

Mrs M says that had she been allowed to credit her account with additional monies, some of her losses could have been avoided. Plus500 have explained that at no stage did they block Mrs M from crediting funds to her account. From what I've seen, the issues that Mrs M faced depositing monies weren't linked to anything that Plus500 did or didn't do. When Plus500 restricted Mrs M's account, the only block that they placed on her was stopping any new positions from being opened – and that's because they understood that she may need to add extra funds to manage the margin positions on her existing open trades prior to them being closed. In their email to Mrs M of 23 March 2023 at 11:01am (where they set out their plans to close her account), Plus500 specifically stated that they would still permit monies to be added to the account to prevent margin calls. From the screenshots that I've been provided of the failed attempts to add funds, the issue appears to have been an incorrect card number inserted on the respective page.

In any event, I think that had Mrs M contacted Plus500 at the time to highlight the problems she was encountering adding monies, they would've likely made that clear to her and would've signposted approaching her bank for guidance. So, because of that, I can't hold Plus500 accountable for the margin losses that Mrs M says that she's suffered because she wasn't able to add funds to her account.

Shortly after Plus500 closed Mrs M's account, they sent her an email wishing her a happy birthday. Mrs M says that was "emotional torture". I appreciate receiving the email was likely upsetting in light of recent events, but I well suspect the message was automated which all clients receive and not something that Plus500 would have done with any malice intended.

From what I've seen of the customer agreement that Plus500 had with Mrs M, they were well within their rights to end their relationship by giving her the appropriate notice period. I do appreciate that Mrs M will likely be disappointed by my decision, but I've not seen anything to persuade me that Plus500 have done anything wrong and it's for that reason that I'm not upholding her complaint.

### **My final decision**

I'm not upholding Mrs M's complaint and as such, I'm not instructing Plus500UK Ltd to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 31 July 2024.

Simon Fox  
**Ombudsman**