

The complaint

Mr P complained about IG Index Limited. He said he had an addiction to forex and indices trading using IG's spread betting service. He said IG didn't check if he had a gambling addiction and for this reason, didn't treat him fairly.

Mr P said IG should have done more to protect him and would like it to pay compensation including refunding losses that he made.

What happened

Mr P opened a spread betting account with IG on 10 May 2020. He said he was addicted to spread betting in particular trading forex and indices. He said it started with small trades but spiralled out of control. He said he was using credit cards to deposit regularly.

Mr P said IG never asked for proof of savings or income when he was depositing into his trading account and because of this he continued, running up debts of around £80,000. He said he sought help and entered into a debt management plan but through-out, IG never checked if he had a problem or where the deposits came from. He complained to IG about this.

IG said in response that it was not upholding Mr P's complaint. It said Mr P scored highly in its assessment it made when he applied for an account. It said he told it he had trading experience and the means to maintain a trading account. It said based on the information he provided; it deemed an account appropriate for him.

IG said it disclosed clearly how much risk was associated with spread betting. It said it was up to Mr P to maintain his deposits and look after his own financial wellbeing. It said it operated an execution only service and the size, frequency and manner in which Mr P made deposits were his decision alone.

IG said the amount of realised losses Mr P made, albeit large, were not beyond his declared amounts of savings and earnings he provided in his application.

Finally, IG added that it would only reasonably have taken steps to prevent Mr P from trading if he had brought his gambling addiction to its attention. It could not find any evidence that he did this apart from when it received his complaint.

Mr P was not happy with IG's response and referred his complaint to our service.

An investigator looked into Mr P's complaint. She said IG provides an execution only service and this was conveyed to Mr P in its agreement. She said she didn't think IG had a duty to monitor Mr P's trading positions as he had asserted.

The investigator said she looked at what happened when Mr P opened his account and could see IG had deemed it appropriate, based on the answers he provided. She then considered the transactions on Mr P's accounts and didn't see anything that she would've expected IG to have held concerns about regarding the source of his funds.

The investigator said she could see the size of deposits made and the amount of losses Mr P accrued, and these were in line with the earnings and savings he declared to IG in his application. She said she was unable to conclude IG ought to have raised questions with Mr P at an earlier stage.

The investigator said Mr P informed IG of his gambling problems on 5 February 2023 and since this point there have not been any transactions made by him. She said it could have been argued that it would have failed in its duty of care, if IG had let Mr P continue after this point, but this wasn't the case. She said IG was not under any obligation however to monitor Mr P's account and so she cannot reasonably say it ought to have been aware of his gambling addiction before he mentioned them.

Mr P is not in agreement with the investigator's view. He said in response that IG had a broader responsibility to ensure that trading activities were conducted responsibly and within the financial means of each client.

Mr P said regarding the appropriateness test carried out by IG, that it just consisted of a few checkboxes. He said regrettably anyone can easily check on any option, and in his case as someone with an addiction, he naturally chose answers that allowed him to trade. He said the assessment was simplistic and fell short of due diligence expected particularly when dealing with clients prone to addictive behaviours.

Mr P said he firmly believes that if IG had taken the initiative to review his circumstances at any stage it would have immediately recognised the staggering scale of debt he had accumulated. He thinks there should be more stringent regulations in place such as mandatory financial checks once a client has deposited a substantial amount. He said IG had a responsibility to exercise due diligence in assessing the financial circumstances of its clients, especially when there were evident indicators of financial distress and addiction. He said he would like his complaint reviewed.

As the parties are not able to agree, Mr P's complaint has been passed to me, an ombudsman, to look into.

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.

It's clear to me after reading everything, that Mr P has had a difficult time. He has had to deal with the losses he accrued from his spread betting account and seek support for his addiction. I am grateful for what he has told us about this, and I empathise with him with regards to what he has been through.

With that being said, I need to consider whether there have been any shortcomings from IG, when it agreed to provide Mr P with a spread betting account, and then when it continued to provide this service to him. I have thought about this, when I have considered what I think the crux of Mr P's complaint is. This being that Mr P feels IG should have done more in protecting him from harm. He has asked whether IG should have intervened sooner.

I have looked then at what happened when Mr P opened his account with IG, and the assessment it carried out, when it decided a trading account was appropriate for him. I have then looked at whether IG ought to have been aware of Mr P's personal circumstances at any point during the time he was trading and whether it should have intervened.

Was IG fair to assess a trading account as appropriate for Mr P in May 2020?

Given everything Mr P has told our service, I've thought about the wider circumstances and how he began his relationship with IG. As IG are a regulated firm it is subject to rules set out in the regulator's handbook. Of relevance here is the conduct of business (COBS) section, that explains what IG's obligations are to its customers and in the context of this complaint to Mr P when he applied for an account.

IG offered its services on an execution only basis, with the responsibility being with Mr P to decide for himself what trades to make. However, in order to trade in this manner, the rules required IG to assess whether an account was appropriate for him in the first place. The rules in COBS state that IG needed to gather information from Mr P in order to decide whether he held the necessary knowledge and experience to understand the risks involved.

I've reviewed the questions and answers Mr P gave – given what he told it, IG determined that the account was appropriate for him. He provided answers that demonstrated he had trading experience, a high income, and significant savings.

Mr P has since told our service that he chose answers that he knew would be accepted and would ultimately allow him to trade. But the rules that IG would have been obligated to follow in COBS state that it is entitled to rely on the information provided, unless it becomes aware that the information is manifestly out of date, inaccurate or incomplete. So, even though Mr P now says his answers were not a fair reflection of his circumstances, he indicated to IG that they were, and it was entitled to rely on what he told it.

So, from everything I have seen, I don't think there were shortcomings in IG's assessment and instead feel that, based on the answers Mr P gave, that it was reasonable for his account to be opened.

Should IG have been aware of Mr P's circumstances and that he had a gambling addiction sooner?

As I have already mentioned, Mr P made IG aware when he made his complaint, that he had a gambling addiction. He's told our service that he incurred significant debts and was making deposits using credit cards.

Mr P said IG ought to have known about his circumstances and intervened a lot sooner – and by doing this he'd have lost less money. But I think, IG couldn't have helped if it didn't know what was happening.

So long as Mr P continued to add money to his account and continued trading as he wanted, within the parameters of what he told IG his income and savings were, it wouldn't be for IG to have suspicions or concerns about his wider personal and financial circumstances. I wouldn't expect IG to know Mr P was addicted to trading without him making it known.

Mr P told our service the income and savings information he shared with IG wasn't accurate. And he used credit cards to fund his deposits. But again, it wouldn't be fair for me to say IG ought to have known that, again they were entitled to rely on the information Mr P provided, and, I don't think, were given a reason to question it.

Had Mr P got in touch with IG at any time to ask for help, I'd have expected IG to take some sort of action, but I can't see that he did, until he made his complaint known and then stopped trading.

So, with all that I have concluded, I can't fairly say IG should have intervened, when it seems it didn't know an intervention might have been required or that it was given any reason to intervene based on what it had been told.

Conclusion

I do sympathise with Mr P's situation as I can see that he has lost a lot of money and accrued debt. But from everything I've seen and for the reasons I've explained above, I can't fairly say IG have done anything wrong.

I can't conclude IG has made any mistakes when it assessed the trading account to be appropriate for Mr P, based on what he told it. Mr P said he didn't have the experience or wealth he declared at the time, but IG was entitled to rely on what he said.

Without knowing Mr P was struggling and addicted to trading, I can't say its fair to conclude IG were at fault here either or that it ought to have intervened sooner. So, it follows that Mr P's losses are not something for which IG ought fairly and reasonably to be held responsible for.

My final decision

My final decision is that I do not uphold Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 2 August 2024.

Mark Richardson
Ombudsman