

The complaint

Mr A complains that eToro (UK) Ltd closed the account that he was copy trading. He says his open positions were closed by eToro and that this resulted in a loss which he wants refunded.

What happened

Mr A opened a contract for differences (“CFD”) trading account with eToro in 2021. In October 2022 he signed up to its copy trader service. This service allowed him to copy the trades of another eToro account, which I’ll refer to as “G”.

On 8 June 2023, eToro emailed Mr A to give him notice that it would be closing G’s account on 7 July. It said any open positions would be automatically closed on 7 July at the market rate available. eToro told Mr A he could take control of any open positions himself by using its “stop copy and keep” function. But on 12 June he received a follow up email to say that this function wasn’t available to Mr A, but that he could still choose to stop copying G at any time before 7 July.

Mr A complained. On 18 June eToro clarified that, *“Your copy includes some positions with the maintenance margin feature activated (their Stop Loss was edited) which will, unfortunately, prevent you from applying the “stop copy and keep all” feature.”*

On 7 July Mr A’s positions were closed and he realised a loss. He complained to eToro and asked it to reimburse him for that loss.

eToro said it had acted in line with its agreed terms and conditions when it closed G’s account and that it wasn’t liable for Mr A’s loss.

Our investigator didn’t recommend that the complaint should be upheld. She concluded that eToro had given Mr A fair and reasonable notice of the account closure to allow him to make alternative arrangements before the forced closure of his positions. And that if eToro had kept his positions open, his losses could have increased.

Mr A didn’t agree. He replied, in some detail, to say, in summary, that:

- He wasn’t made aware – before he signed up to the copy service – that he would be denied use of the “stop copy and keep” function in certain circumstances. So he didn’t have full knowledge of the risks involved before he decided to copy the account.
- He was lured into using the copy service by misleading information.
- He, or the trader he was copying, should’ve been the one to convert the unrealised losses into realised losses. But the losses were realised solely by eToro’s actions.

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 Mr A's strength of feeling on this matter and he's raised several detailed points. I have fully considered everything he has told us, but I am not going to respond to every point one of the parties has made or to answer every question raised. That isn't because I haven't taken into account what Mr A has said, but because my role is to focus on what I consider material to the outcome of the complaint.

Having considered everything, I find I have come to the same conclusion as the investigator for the following reasons:

eToro was entitled to close G's account and didn't need to provide Mr A with any explanation for its decision. But it did need to reasonably provide notice to Mr A of its decision, so that he could choose to take action on his own account before G's account was closed and the copy trading stopped. I find that eToro told Mr A about its decision around a month before G's account was closed. And, in the circumstances, I'm satisfied that this gave Mr A reasonable notice.

Mr A says he didn't know, when he decided to start copying G's account, that he would be denied use of eToro's "stop copy and keep" function. He says this should have been made clear in the terms before he started to copy G's account. And that, if it had been, he wouldn't have copied the account. I find that eToro introduced its "stop copy and keep" function in November 2022 – so around a month *after* Mr A began copying G's account. This means Mr A made the decision to copy G's account when a "stop copy and keep" function wasn't available. I therefore can't find that a function that wasn't available until a later date influenced Mr A to decide to copy G's account.

I'm satisfied, for the reasons set out in eToro's terms and conditions and set out by the investigator, that in June and July 2023 the "stop copy and keep" function wasn't available to Mr A – in summary, because some of the positions he held had the maintenance margin function activated. In other words, because G had extended the stop rate by adding margin to its own positions, Mr A had the same stop loss rate, but without the increased margin. The "stop copy and keep function" only works on positions that do not have an extended margin – if Mr A had kept these positions, he wouldn't have had enough margin, so the positions would likely be closed immediately.

Mr A had the opportunity to stop copying G's account and close his positions at any time up to 7 July 2023. He told eToro he wouldn't be closing any of the trades himself because he didn't understand the instruments being traded. But he'd told eToro when he opened the account that he had experience of trading with leverage and, specifically, experience of trading CFDs. He may not have had detailed knowledge about the particular underlying instruments G was trading in. But he'd taken the decision to copy that account, knowing its objectives and the types of instruments it was likely to trade in. And I find it was his responsibility to ensure that he was comfortable with the nature of G's trading before he decided to copy the account. I'm satisfied Mr A was responsible for choosing to continue copying G's account up until the point it was closed.

Mr A accepts it was his decision to copy the account, accepts the risks this involved (including incurring losses), and agrees eToro had the right to close G's account. Whilst he complains about the "stop copy and keep" function not being available to him, he'd made it clear to eToro that he didn't want to keep his positions because he didn't want to trade them himself. For that reason, presumably, he chose not to stop copying G's account (and close the open positions) before 7 July 2023. But I'm satisfied this was his decision and that he could've closed positions earlier than he did, if he'd wanted to.

It is unfortunate that the closure of G's account on 7 July 2023 resulted in a loss in Mr A's account. But I think the loss is lower than it might have been had Mr A chosen to close positions himself before 7 July – when he was first contacted by eToro he says his unrealised losses were US\$12,000 to US\$13,000; but on 7 July he incurred a loss of just under US\$5,000. Likewise, because of market movements, the loss he incurred on 7 July was lower than it might have been had the positions remained open, especially as Mr A says he was unfamiliar with the underlying instruments. So, in closing his positions on 7 July 2023, I think eToro acted fairly and reasonably.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 11 September 2024.

Elizabeth Dawes
Ombudsman