

The complaint

Mr M complains that IG Markets Limited trading as IG ('IG') wouldn't allow him to withdraw his funds, closed his account and voided his trades.

What happened

In January 2023 Mr M opened a trading account provided by IG.

In April 2023 Mr M contacted IG because trading was disabled on his account and so he was unable to close an open position that was in profit. IG replied saying his account had been on 'read only' but trading was now re-enabled.

On 1 May 2023 Mr M emailed IG saying his account was 'read only' again and asking IG to correct that. IG said it couldn't remove the 'read only' setting from his account.

On 8 May 2023 IG wrote to Mr M saying unusual trading activity had been flagged on his account and IG was now reviewing the account.

On 10 May 2023 IG wrote saying it couldn't process Mr M's withdrawal request.

On 18 May 2023 Mr M complained to IG.

On 22 May 2023 IG wrote to Mr M saying it would close his account in 20 business days because his recent trading activity broke the section of the customer agreement called '*Representations and Warranties*', especially paragraph (1)(j). Paragraph (1)(j) said Mr M wouldn't use an electronic device, software, algorithm, trading strategy or arbitrage practices (such as but not limited to latency abuse, price manipulation or time manipulation) that aims to manipulate or take unfair advantage of the way in which IG constructs, provides or conveys its bid or offer prices. IG said it would also '*cancel the erroneous transactions in question*' which it was allowed to do under the customer agreement.

In its reply to Mr M's complaint IG didn't uphold the complaint. In summary it said the following:

- IG believed Mr M hadn't used its services in good faith. Section 20 of the customer agreement required Mr M to use IG's services in good faith.
- Section 20 of the customer agreement allowed IG to void a transaction if it had grounds for suspecting Mr M had breached a warranty given under the agreement. IG could do this at its discretion unless, within three months, Mr M produced evidence that satisfied IG that he hadn't committed the breach.
- IG had halted withdrawals on Mr M's account when it discovered he wasn't using the services in good faith. It then investigated the trades it thought had '*unduly profited from the latency abuse committed*'. The profit from latency abuse had been '*scrapped*' from Mr M's account on 22 May 2023.

Mr M referred his complaint to this service. He said IG had taken trading profits from his account. He wanted IG to return the profits to him. He said IG's allegations were false because many of his trades were losses, and he didn't do any trading that was algorithmic, EA, high frequency or short duration. He said all his trading was on IG's platform.

One of our Investigators looked into Mr M's complaint. He said he didn't think IG needed to do anything further. In summary the reasons he gave were as follows:

- IG had formed the view that Mr M's trading behaviour involved latency abuse which was prohibited under section 20 of the customer agreement.
- Having formed that view, IG was permitted by section 20 of the customer agreement to reverse Mr M's trades. And IG was permitted by section 9 to suspend and close his account.
- To take these steps under the customer agreement, IG didn't need to prove Mr M had breached the agreement. It had the discretion to take the steps it had taken if it judged the agreement had been breached.
- The investigator had considered whether IG had exercised that discretion fairly and formed its view of Mr M's trading activity fairly. He'd seen Mr M's trading history which was provided by IG. And he'd seen IG's criteria for identifying latency abuse. Based on the information IG had used to form its view of Mr M's trading behaviour, the investigator thought IG had reached its view fairly.
- In these circumstances it was reasonable for IG to exercise the discretion it had under the agreement to void Mr M's trades, halt his withdrawals and close his account.

The investigator didn't give Mr M a copy of IG's criteria for detecting latency abuse because disclosing that information would compromise IG's internal controls.

Mr M didn't accept the investigator's opinion. In summary he said it hadn't been shown how IG had come to the conclusion he'd breach the agreement. And it was unfair that he hadn't been given all the evidence in relation to that. He also said the evidence on which IG had based its decision could be forged and neither he nor this service would know if it was forged.

The investigator shared the trading history IG had provided. He said he couldn't share IG's criteria for identifying latency abuse.

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.

First of all, it's clear to me IG's customer agreement gave it the discretion to suspend and close Mr M's account in the way it did. The agreement also gave IG the discretion to void Mr M's transactions if IG was of the view that Mr M had breached a warranty under the customer agreement. The warranties included using IG's services in good faith and not using practices such as latency abuse. It's clear IG did form the view that Mr M's trading had involved latency abuse and so it formed the view that Mr M had breached a warranty. Based on this I'm satisfied IG acted within the terms of the customer agreement when it voided his transactions and closed his account.

Terms and conditions like the warranties in IG's customer agreement are not uncommon. And I don't think it's wrong for IG to have imposed those warranties on Mr M. It's reasonable for IG to decide what services it will offer and how it will allow those services to be used.

I've considered independently whether IG acted fairly in reaching its view and deciding to exercise the discretion it had under the customer agreement to void Mr M's transactions and suspend and close his account. IG said it uses a set of criteria to identify latency abuse in its customers' trading behaviour. In this case IG used those criteria to assess the trading history of Mr M. And that assessment produced the conclusion that Mr M's trading had involved latency abuse. Having looked at Mr M's trading history and IG's criteria, I can't say it was unreasonable for IG to reach the conclusion it reached. The criteria and IG's application of them are sufficiently related to the practice IG seeks to prevent that I can't say IG has taken an unfair approach. I'm satisfied IG had a reasonable and robust rationale for invoking the relevant terms in the customer agreement.

Whether or not Mr M used particular tools or strategies commonly associated with latency abuse, his trading behaviour displayed features of latency abuse according to IG's criteria for that. And the presence of some losing trades on Mr M's account doesn't show, in and of itself, that Mr M's trading didn't involve latency abuse.

Whether or not Mr M considered his trading a breach of the warranty he'd given under the customer agreement, the fact remains that his trading behaviour met IG's threshold for latency abuse – and, as I've said, I don't think it was unreasonable for IG to reach that view. And so I'm satisfied it was reasonable for IG to take the steps it took in relation to his trades and his account.

Mr M said the evidence on which IG had based its decision could be forged and neither he nor this service would know if it was forged. On this point I think Mr M can be satisfied that the trading history IG used for its assessment wasn't forged. The trading history was shared with Mr M and he didn't identify any concerns with it. The profit and loss and the timescales on IG's records of Mr M's trades appear to tally with what Mr M's said about his trading history with IG. So I don't have any basis to think the trading history data is forged. The criteria against which IG assessed Mr M's trades are a set of indicators that were devised by IG. So I don't see any likelihood that the criteria themselves are fraudulent.

Overall, I can certainly understand Mr M's disappointment at having his trades voided. But I haven't found IG acted unfairly or unreasonably in reaching the conclusions it reached and taking the action it took under its customer agreement. So I won't be asking IG to do anything to put things right.

My final decision

For the reasons I've set out above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 August 2024.

Lucinda Puls
Ombudsman