

The complaint

Mr M complains that IG Index Limited ('IG') removed positions from his trading account and valued them at zero. He wants IG to reinstate the positions in his main trading account, or compensate him for the value he says he's lost.

What happened

Mr M had a spread betting account with IG. In it he opened spread bets which included long positions on global depository receipts ('GDRs') in a company called Rosneft. Rosneft was listed on the Moscow stock exchange ('MOEX') in Russia.

On 27 April 2023 IG emailed Mr M about his positions on the Rosneft GDRs. It said due to sanctions the GDRs were delisted from the LSE and so had no price recorded. The ordinary shares were trading on MOEX, but MOEX and the shares themselves were subject to sanctions. And so, although MOEX showed a price for Rosneft shares, those prices couldn't be traded or their value realised by any UK person due to sanctions. And this would remain the case until the sanctions were lifted.

IG said that in line with its Customer Agreement it would close all positions in Rosneft at zero. It would do this on 2 June 2023 unless Mr M said he wanted to keep the positions open and acknowledged the risks involved. IG described the risks. It said it was unlikely to be in a customer's best interest to keep the positions open. It said Mr M would have to pay various costs to maintain the positions and, so long as the sanctions were in place, the positions could only be closed at zero. IG also told Mr M it might decide in future to close the positions at zero.

On 2 May 2023 Mr M emailed IG saying he wanted to keep the positions open. IG acknowledged his email on the following day.

On 6 June 2023 Mr M found his positions on the Rosneft GDRs had disappeared from his account. He contacted IG about the missing positions. IG and Mr M exchanged a number of emails in which Mr M asked about the missing positions and IG said it was looking into things. Mr M also contacted IG by phone to find out what was happening. But IG didn't tell him what was going on.

On 23 June 2023 IG wrote, '*Please kindly note your positions on proceeds account ... have been reinstated*'. Mr M replied saying he didn't see any changes in his account and asking how to access the proceeds account.

On 28 June 2023 Mr M formally complained to IG about the missing positions. In his complaint he mentioned that after IG had removed his positions from his account the price of Rosneft shares increased '*from 60 to 560*'.

In response to Mr M's complaint IG said it upheld the complaint because it hadn't communicated effectively with Mr M about what it was doing. It said it had set up a '*proceeds*' account in Mr M's name and moved the Rosneft positions into that account. It said it had told him this in an email on 23 June 2023. But it acknowledged its email was too

'blunt' and it should've given a fuller explanation so Mr R could understand what was happening. It said IG was in the process of making the proceeds account accessible to Mr M as a sub-account. But even with that access Mr M still wouldn't be able to trade the positions – all he would be able to do was close them at zero. IG offered Mr M £250 to compensate for failing to properly tell him about the proceeds account.

Mr M wasn't satisfied. He referred his complaint to this service. He told us IG said it had reinstated his positions in the Rosneft GDRs but he'd seen no evidence that had happened. He also said IG hadn't given him the option to transfer his positions to a bank in Russia. And he observed that before IG had removed his positions from his account, its prices hadn't corresponded with the prices of actual shares in Rosneft. He said IG's prices were almost zero and he believed they were '*a fabrication*'.

One of our investigators looked into Mr M's complaint. He said he didn't think the complaint should be upheld. In summary he gave the following reasons:

- IG had reinstated Mr M's positions on R in a separate account – the proceeds account it had set up in his name.
- In response to Mr M doubting the existence of the account the investigator had obtained a screenshot from IG showing the account. The investigator had no reason to doubt IG had created the account and reinstated Mr M's positions.
- Because of the sanctions in place it wasn't possible for Mr M to have the positions in his main trading account so he could manage them.
- IG was still working to give Mr M access to the proceeds account. But that access still wouldn't allow Mr M to manage or interact with the positions while the sanctions remained in place.
- The proceeds account would allow IG to apply a reduced overnight funding rate.
- It was fair for IG to list Mr M's positions at zero because GDRs in Rosneft, which were the underlying asset Mr M's spread bet was tracking, had been delisted from the LSE.
- IG's offer of £250 to compensate for the distress and inconvenience it caused Mr M was in line with what this service would award in the circumstances of Mr M's complaint.
- Even if IG had closed Mr M's positions and not reinstated them, that would've been in line with its customer agreement, in particular sections 23 and 25. The customer agreement allowed IG to close his positions in circumstances such as where exceptional events had occurred and where the company whose securities were the subject of the bet was delisted.
- The loss Mr M had observed on his positions wasn't caused by IG. It was caused by the sanctions on Rosneft and MOEX.
- Due to sanctions IG couldn't facilitate a transfer of Mr M's positions to a Russian bank.

Mr M didn't accept the investigator's view. He said he'd never accept the £250 offered by IG. He didn't believe IG had opened a proceeds account and he wasn't convinced by the screenshot IG had provided.

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 partly upholding the complaint. I've found there were shortcomings in IG's handling of Mr M's positions that haven't yet been put right. But I've found those shortcomings have already been acknowledged by IG. And the £250 IG has already offered is sufficient to put things right for Mr M. 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.

The essence of Mr M's complaint is that IG removed his positions from his account and caused him to lose the value of those positions.

It's not in dispute that IG removed the positions in question from Mr M's main trading account. But IG said it reinstated those positions in a proceeds account. And Mr M said he doesn't believe the proceeds account exists. I can understand why he expressed doubt about that in his complaint to this service given that he hadn't been given access to the proceeds account where IG said the positions were held. But IG then provided a screenshot showing the account. It has the same account number IG had quoted to Mr M when it first mentioned having set up a proceeds account for him. And I have no reason to think IG didn't create the account for Mr M's positions. Under its terms and conditions IG could've closed the positions if it so chose. So I don't see why IG would say it was reinstating his positions and then not do so. On balance, I'm satisfied IG did create a proceeds account to hold Mr M's removed positions.

I understand it's frustrating for Mr M to not have these positions in his main account, and I've considered whether it was reasonable for IG to move them. Having done so, I think it was reasonable. It allows IG to charge a lower fee – which is in Mr M's interests. And because the position is effectively untradeable (except for being closed at zero) it isn't unusual that IG might want to segregate the position to ensure oversight. So I'm satisfied it was fair and reasonable for IG to move the position – but I'm not convinced IG treated Mr M fairly in the way it communicated with him about it, which I'll go into more later in this decision.

As part of removing Mr M's positions from his trading account IG said the positions could only be closed at a value of zero. I've considered independently whether IG has unfairly caused Mr M a loss here, as he's said it has. But I don't think that has happened.

The positions about which Mr M has complained are spread bets on Rosneft GDRs. As our investigator said, spread bets operate by tracking the value of underlying assets – in this case Rosneft GDRs. Due to the conflict in the Ukraine, the UK introduced sanctions that prevented the sale of shares and other securities representing ownership – like GDRs – on certain Russian companies, including Rosneft. These sanctions mean Rosneft GDRs can't generally be traded in the UK and the GDRs were suspended from the LSE in 2022. I can see Rosneft later applied to have the GDRs completely delisted from the LSE in November 2022. As a result, they have no price in the UK, on which to price the spread bet position.

So, it's not unreasonable for IG to have said that – as long as the sanctions are in place – Mr M's positions can't be traded other than to be closed a value of zero.

Mr M commented on the price of Rosneft shares that he saw on MOEX. But that price is for Rosneft shares being traded on MOEX – not for the GDR which was listed on the LSE. As has been said, the existence of sanctions meant the GDRs couldn't be traded by UK persons and are no longer tradeable on the market. There was no price available to UK persons, including IG. And so I don't think the existence of a price for the shares (not the GDRs) on MOEX means IG was wrong to say Mr M's positions could only be closed at zero.

Mr M has also said IG should've allowed him to transfer or convert his positions which he said he could do by opening a Russian bank account. When our investigator asked IG about this IG said it couldn't do that because of the sanctions. I think it's reasonable that IG formed the view that it couldn't take any such action in relation to GDRs that were subject to sanction. In the context of the unprecedented sanctions in place since conflict began in the Ukraine, it's reasonable for a business to choose to take a risk averse approach towards potentially breaching the sanctions.

In addition I note that the positions about which Mr M has complained were spread bets – not GDRs or shares themselves. It's not usual for brokers to allow spread betting positions to be transferred to other brokers. So it's not something I'd expect IG to do, unless it'd expressly agreed to, for instance in the terms and conditions. The position cannot be converted into a different form of investment – Mr M is merely betting on the price of the GDRs, this gives him no entitlement to those GDRs themselves. And I don't see that the terms and conditions of Mr M's account said IG would do either of those things. So I think on that basis too it wasn't unfair for IG to say it couldn't facilitate a transfer or conversion of Mr M's positions on Rosneft GDRs.

Despite concluding that IG acted reasonably when it removed Mr M's positions from his trading account and didn't allow trading other than to close at zero, I agree with IG that it should've communicated better with Mr M about the steps it took in relation to his positions. I've thought about what the impact was on him of not knowing where his positions were held and not being able to see them. I accept it caused him distress and inconvenience. Mr M was clearly quite sure he wanted to keep the positions open if possible, rather than have them closed. And so he was concerned and frustrated when the positions disappeared from his trading account and he couldn't find out from IG what was happening. But because Mr M wouldn't have been able to interact with his positions other than to close them at zero, the lack of access and explanation he experienced didn't cause him any financial loss. Taking all this into account I think the £250 IG has offered is fair to compensate for the impact its shortcomings had on Mr M.

Overall, it wasn't unreasonable for IG to move Mr M's positions out of his trading account and to say the positions could only be closed at zero. But IG should've better explained the situation to Mr M at the time. Not doing so caused him distress and inconvenience. IG has acknowledged its shortcomings and offered Mr M £250 compensation. I'm satisfied the offer is reasonable. Because I don't think it's been paid, I've included an order in this decision for the compensation to be paid to Mr M.

Putting things right

To put things right for Mr M, IG Index Limited must pay him the £250 it offered, if it hasn't already done so.

My final decision

For the reasons I've set out above, my final decision is that I partly uphold this complaint. IG Index Limited must put things right in the way specified above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 August 2024.

Lucinda Puls
Ombudsman