

The complaint

Mr G complained about Plus500uk Ltd. He said it shouldn't have allowed him to open a contracts for difference (CFD) trading account as it was not appropriate for him.

Mr G said Plus500uk should compensate him for his losses and for the significant distress and disruption he said its mistakes have caused him.

What happened

Mr G opened a CFD trading account with Plus500uk on 27 March 2020. Mr G said he made 531 trades up to 12 June 2020 and incurred investment losses of around £9368.

Mr G said he shouldn't have been allowed to open an account in the first place. He said he had insufficient knowledge or experience to be able to understand the risks involved. He said he was a university student, didn't have a job and was using money given to him by his parents in order to trade with. He said Plus500uk didn't ask enough questions on application about all of this.

Mr G said Plus500uk allowed him to keep trading even though he was making more financial losses than he had told it on application he could afford to risk and lose. Mr G said he had to borrow money to make up the shortfall in his finances.

Plus500uk said in response that it was an execution only broker and so was under no obligation to assess the suitability of Mr G's trading in relation to his circumstances. It said it was however obliged to consider whether a trading account was appropriate for him. It said an assessment was undertaken upon his application on 27 March 2020.

Plus500uk said as an online service provider, it relied on information provided by Mr G. It explained the process it followed in carrying out its appropriateness test and then said based on the answers Mr G provided, it established that the account was appropriate. It said Mr G also agreed to its terms and conditions in relation to the account. It said it provided information about the risks involved in CFD trading in the user agreement, a risk disclosure notice and on its website. It didn't uphold Mr G's complaint.

Mr G was not happy with Plus500uk's response and referred his complaint to our service.

An investigator looked into Mr G's complaint. He said he was satisfied Plus500uk acted in line with its terms and conditions. He said it acted fairly and reasonably and that he wasn't going to be asking it to do anymore. He said based on the answers Mr G provided, Plus500uk established it was appropriate for him to have an account. He said, he appreciated the answers provided by Mr G were not a reflection on his circumstances at the time, but Plus500uk were entitled to rely on what he said.

The investigator concluded he was satisfied Plus500uk hadn't done anything wrong. He described the different ways that it had highlighted the high risks associated with CFD trading and that Mr G had accepted this by accepting the client agreement in his application to open an account.

Mr G is not in agreement with the investigator's view. He said he did answer the appropriateness test accurately, for example he did have £50,000 in savings but these were to pay for his studies and living costs. He said making the investment losses that he did, meant he didn't have enough and had to borrow money to cover the shortfall. He said he had no CFD trading experience before he opened the account and Plus500uk failed to consider this. Mr G'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.

I appreciate Mr G has had a difficult experience and I can understand why he feels Plus500uk should've done more to prevent his trading leading him into financial difficulties. But having carefully considered the process Plus500uk adopted when opening the account and how it then went on to operate the account, I'm not persuaded that it has done anything wrong.

When Mr B opened his account, he was taken through an appropriateness test with a series of questions to determine his knowledge and experience of this type of trading. As a result of his answers, the trading account was deemed appropriate for him.

I've looked at the answers provided by Mr G in the appropriateness test. I can see what he has put down as his annual income, his stated savings along with what he said his experience in trading CFD's was. Mr G said he received £15,000 to 30,000 a year income and had up to £50,000 in savings. He also said he had experience and had carried out a number of trades before.

Mr G has told our service in reality he was a student, did not have a job and his savings were actually money for his living expenses and tuition fees given to him by his parents. But this is not what he told Plus500uk at the time. I consider that it was entitled to take the information he told it about his circumstances in its appropriateness test at face value and use it to assess whether he should have a trading account.

Mr G said Plus500uk would have found out about his circumstances if it had asked for more from him. But there was no requirement for it to do so. It was required to assess whether the account was appropriate for Mr G. When it did this, it acted on the information Mr G provided and decided based on what he had said that the account was appropriate. I can't say it did anything wrong here when it did this.

I have gone on to consider whether the risks of trading in CFD's and warnings given to Mr G were sufficient. I can see Mr G was required to accept Plus500uk's user agreement before opening an account. Within the agreement, it has described the risks involved with this sort of trading. It also said it provided Mr G with a risk disclosure notice and gave warnings on its website. After looking at all this, I think Mr G was given at least some notice of the nature of risk that trading in CFD's brought with it. So again, I can't say on this occasion that Plus500uk was being unfair or did anything wrong here.

Once the account was operating and Mr G started to trade frequently, as an execution only service there would have been very little opportunity for intervention from Plus500uk. I appreciate Mr G feels it should have done so after his losses went above what he said he could afford to lose, within the appropriateness test he took at account opening. But again, there was no requirement for it to have such mechanisms in place, only that this question

was part of its overall assessment of the appropriateness of Mr G trading in CFDs in the first place.

In summary, I recognise that trading with Plus500uk has caused Mr G to make losses that has in turn given him financial difficulties. But to uphold a complaint against it I would need to be satisfied that it had acted incorrectly or unfairly in respect of its provision of its services to him. And while I understand Mr G will be disappointed, it would be difficult for me to see how Plus500uk could, or should, have been aware that a CFD trading account was potentially inappropriate for him, given the information he'd provided. So, it follows that I don't uphold Mr G's complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 17 May 2024.

Mark Richardson
Ombudsman