A USD $30,000 loss – the terms of trading online and forced liquidation

Margaret claimed she suffered a loss of over $30,000 USD while trading via an online foreign exchange trading platform. She complained that an order was incorrectly closed by a "forced liquidation" (closure of order due to lack of funds) resulting in the loss. Margaret sought reimbursement of the loss. She argued that the trading platform had incorrectly quoted prices, and in executing them, had caused the balance of her account to fall below the required margin.

The trading platform held that it was entitled to execute a forced liquidation because Margaret failed to maintain a sufficient level of margin deposit in her account. The trading platform also argued that it had the right to quote whatever prices it deemed appropriate at the time, that there had been uncertainty in the market around the times of the trades, and that this had caused the changes in prices.

Nevertheless, as a valued client, the trading platform offered to settle Margaret's complaint by reversing the liquidation positions thus restoring her account balance to its pre-trade levels. Margaret rejected the offer.

An FDRS adjudicator considered Margaret's complaint. The adjudicator noted that the trading platform could not control the volatility of the market, which in some circumstances might force foreign exchange dealers to execute trades at next best price. Based on the information provided, the adjudicator found that the trading platform had fulfilled its duty of care and had acted in accordance with contractual provisions. The adjudicator dismissed Margaret's complaint.