



# Online Investor Complaint Center

The original resource guide for the dissatisfied online investor

## Welcome

Are you a **dissatisfied online investor** or trader who has one or more of the following complaints against your online broker?

- Account access problems due to trading system delays or outages
- Intolerably long telephone waits for customer service representatives or brokers
- Delayed email responses from customer service
- Delayed or failed trade executions, confirmations, or cancellations
- Incorrect trade executions
- Delayed or incorrect stock quotes
- Delayed account openings, closings, updates, credits, or transfers
- Delayed fund deposits or withdrawals
- Lost checks or applications
- Incorrect account records
- Improper margin position sellouts
- Fraudulent promotions
- False or misleading advertising
- Failure to provide promised services
- Substantial money losses *not* due to normal investment risks
- Unwillingness to acknowledge mistakes and accept responsibility



One of "the best" online trading sites.

—*Consumers Digest*

July/August 1999

"I love your site... it is a great service to the investing public."

—Mark E. Maddox,  
Former State of Indiana  
Securities Commissioner

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Criticizes  
Brokers

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Class-Action  
Lawsuit

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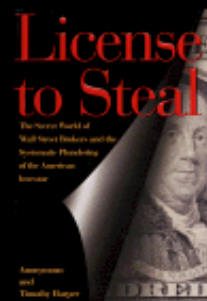
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Complaint  
of the Day



- Endless excuses

### **You are *not* alone**

As online investing has grown rapidly over the past few years, so has the number of aggrieved investors complaining about their online brokers. “Complaints against Internet brokerage firms are soaring—despite repeated pledges from firms such as Ameritrade (AMTD), Charles Schwab (SCH), TD Waterhouse (TWE), and E\*Trade to make customer service Job One,” says Pallavi Gogoi’s [“Rage against Online Brokers,”](#) in the November 20, 2000 *Business Week* magazine. In fact, according to a January 25, 2001 [report](#) by the Securities and Exchange Commission’s Office of Compliance Inspections and Examinations, the number of online trading complaints that investors filed with the SEC’s Office of Investor Education and Assistance surged from 259 in the SEC’s fiscal year 1997, which ended September 30, to 4,258 in fiscal 2000. And since late 1999, online trading complaints have surpassed all other categories of customer complaints filed with the New York Stock Exchange, the SEC report says.

But online investors who actually go through the trouble of filing formal complaints with securities regulators represent only a very small percentage of the total number of dissatisfied online investors. For instance, between September and December 1998, investors filed around 18,000 “verbal” complaints with TD Waterhouse Investor Services Inc., found an NYSE hearing panel that [censured the firm](#) and fined it \$225,000 in January 2001 for various service failures and regulatory violations. The hearing panel also found that TD Waterhouse customers emailed the firm 2,300 complaints between October and December 1998. Furthermore, NYSE filings reveal that in the first three quarters of 2000, investors filed more than 13,000 complaints with TD Waterhouse, *The Wall Street Journal* reported on March 1, 2001.

What are the most common complaints against online brokers? The five most common for the SEC’s fiscal 2000 were order execution delays and failures, account access problems, margin position sellouts, order processing errors, and poor trade executions, according to the SEC’s Office of Investor Education and Assistance.

### **Online brokers have put customer acquisition before customer service**

Many online brokers have dedicated abundant resources to



Many online brokers have dedicated abundant resources to lure new customers and apparently inadequate resources to service all their existing customers. Ameritrade, Charles Schwab, Datek Online, E-Trade, and TD Waterhouse, for example, have been waging expensive, aggressive advertising campaigns to acquire new customer accounts faster than rivals, build up brand identities, and survive the inevitable shakeout in the crowded, fiercely competitive online brokerage industry. In fact, the most aggressive advertiser among online brokers, E-Trade Group Inc., spent over 55% of its total operating expenses (a staggering half a billion dollars plus) on “selling and marketing” in its fiscal 2000, which ended in September.

E-Trade’s bold CEO and self-titled “head honcho and chief visionary,” Christos M. Cotsakos, has explained this aggressive market share grab. “At E\*Trade, we’re an attacker, we’re predatory,” asserts Cotsakos in Louise Lee’s “Tricks of E\*Trade,” in the February 7, 2000 edition of *Business Week*. “We believe we have a God-given right to market share.”

Yet, during its relentless quest for market share, E-Trade has suffered a customer complaint problem, which Cotsakos himself acknowledged to analysts during E-Trade’s October 19, 2000 earnings conference call. Many dissatisfied E-Trade customers have complained to the financial press and on Internet message boards, including the Online Investor Complaint Center’s [complaint board](#), about trading system disruptions and poor service. Other [angry E-Trade customers](#) have filed numerous formal [complaints](#), [arbitration claims](#), and [several](#) class-action [lawsuits](#) against E-Trade. And in May 2000, the regulatory arm of the National Association of Securities Dealers (NASD Regulation) [fined](#) and [censured](#) E-Trade’s retail brokerage subsidiary, E-Trade Securities Inc., “for failing to promptly respond to NASD Regulation requests for information relating to customer complaints.”

Other aggressive advertisers have lured more customers than their trading systems and customer service staff can adequately handle. For instance, when TD Waterhouse could not process customers’ online orders on 33 different trading days between November 2, 1998, and April 4, 2000, the firm continued to advertise and sign up new customers, according to the NYSE hearing panel ruling against the firm. And during this time, customers trying to enter orders via telephone had to wait on hold as long as one hour because TD Waterhouse “did not maintain adequate telephone



routing systems to handle orders that otherwise would have been placed on-line,” the NYSE found.

### **Technology prevents online brokers from keeping up with account growth**

Online brokers have struggled to scale their trading systems with the growth in online accounts partly because of technological problems. Online brokers’ cutting-edge computer hardware and, especially, software are highly complex, inadequately tested, and prone to glitches and failures, says Scott Thurm’s “For Frazzled Online Brokers, Technology Is the Problem,” in the March 4, 1999 *Wall Street Journal*. Thurm explains that “the crucial software knitting these computers together is unproven and vulnerable.” Although online brokers conduct simulation tests during hardware and software upgrades, “the unpredictability of loads in businesses such as online stock brokerages can make simulations a crapshoot,” says Jeffrey Schwartz’s “Schwab Outage: IT Wake-Up Call,” in *InternetWeek* on February 26, 1999. Thurm adds that “unrelenting growth has made online brokers the guinea pigs of the Internet age, pushing the limits of computer systems and software into uncharted territory.”

### **Online brokers will likely continue to suffer further system failures**

The “[major] online brokers will continue to suffer problems with their trading systems,” warns the November 22, 1999 [200-page report](#) on online trading *From Wall Street to Web Street: A Report on the Problems and Promise of the Online Brokerage Industry*, by New York Attorney General [Eliot Spitzer’s Investor Protection and Securities Bureau](#). Echoing this report, a May 2000 U.S. General Accounting Office (GAO) [report](#) on online trading and investor protection also warns online investors. The major online brokers “expect delays and outages to continue because they must constantly upgrade their systems’ services and capacity to remain competitive and to keep up with the growth in on-line trading,” the GAO report says.

### **There *is* help for dissatisfied investors**

Fortunately, if you have a legitimate complaint against your online broker and it is unwilling to accept any responsibility and resolve your complaint fairly, you have come to the right place. Since January 1999, the totally independent, public-interest Online Investor Complaint Center has been dedicated to empowering current and prospective individual investors with free, valuable, continually updated resources



and information. Even if your online broker tries to shirk responsibility or claims that the customer agreement absolves it of its legal and regulatory obligations, the Online Investor Complaint Center guides you to:

- State and federal regulators who are charged with the responsibility of protecting investors and consumers by investigating customer complaints and enforcing various investor protection and consumer protection laws and regulations.
- U.S. senators and representatives who have demonstrated a commitment to protecting online investors.
- Securities and consumer law attorneys who have experience representing aggrieved online investors in class-action lawsuits and arbitration cases against online brokers.
- Influential financial media writers, editors, and reporters who have covered online trading perils, problems, and complaints.
- Top executives of the major online brokers.
- Websites, newspapers, magazines, and industry experts that review and rank online brokers.
- State and federal investor protection and consumer protection rules, regulations, and laws governing online brokers' conduct, trading system capacity, and advertising.
- Hundreds of news articles dating back several years about online trading problems and complaints.
- The Online Investor Complaint Center public guest book, where dissatisfied online investors can freely share or read [complaints](#) against online brokers.
- Internet message boards that are dedicated to the discussion of online brokers and online investing.
- Investor education books, audio books, videos, and other products on online investing, day trading, general investing and personal finance, and Wall Street exposés.



#### Online Brokers.

- Influential financial media writers, editors, and reporters who have covered online trading perils, problems, and complaints.
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- The Online Investor Complaint Center public guest book, where dissatisfied online investors can freely share or read [complaints](#) against online brokers.
- Internet message boards that are dedicated to the discussion of online brokers and online investing.
- Investor education books, audio books, videos, and other products on online investing, day trading, general investing and personal finance, and Wall Street exposés.

Please feel free to browse through the Online Investor Complaint Center for the information and resources that will help you resolve your particular complaint or problem.

Thank you very much for stopping by the Online Investor Complaint Center. We hope that you find our website helpful and that you take a moment to [share your complaints](#) with us and our visitors from around the world. We also hope you return soon and wish you the best of luck with your online investing experiences!



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