

The complaint

Mr C complains that Yielders Limited is withholding the funds he invested through its crowdfunding platform.

What happened

Mr C invested around £300 into an investment opportunity through Yielders Limited's crowdfunding platform. The investment was in return for shares in a Special Purpose Vehicle ("SPV") which owned three residential properties. These properties were to be rented and investors such as Mr C would receive a proportion of the rent by way of dividend payments.

Mr C originally complained to Yielders Limited in March 2022 about it asking him for a copy of his bank statement when he requested to withdraw funds his account. Mr C then went on to raise concerns about the overall performance of his investment and he requested that his initial invested capital be returned.

Yielders looked into his complaint but didn't think it had acted unfairly. In summary, it said:

- The request of bank statements from investors in order to add a bank account to their profile is company policy, in place for investor protection and based on the regulator's guidelines.
- The decision to sell one of the properties owned by the SPV was made in response to a duly executed investor vote taken on 22 June 2021 where investors backed the decision to disinvest without carrying out any remedial works to the property (due to the financial unfeasibility of repairing and re-tenanting the property).
- It also explained that it was expecting to sell the remaining properties in the SPV at a capital gain after all liabilities have been accounted for and that the process was actively underway.
- It confirmed Mr C had received dividends representing an overall return of 6.2% before the divestment process has been completed which is slightly short of the initial projections of a rental yield of around 6.26% per annum. This was due to significant issues faced during the Covid-19 pandemic which in turn resulted in void periods from which the investment was not fully able to recover.

Mr C remained unhappy and so he referred his complaint to this service for an independent review.

An investigator at this service considered Mr C's complaint but didn't uphold it. In summary, they said:

- Yielders Limited has an obligation to follow Knowing Your Customer industry requirements as well as to ensure Mr C is aware of the risks of investing.
- Mr C would've been subject to security checks when signing up to the platform in which he would have been required to provide proof of ID as part of this process.
- Mr C must provide a copy of his bank statement to satisfy not just Yielders Limited but also its third-party payment provider, which is common practice within the industry.

- They were satisfied Yielders Limited had done nothing to mislead Mr C's expectations or understanding of how the investment would work.
- They were satisfied Mr C understood from the outset that his capital would be invested for a fixed period or at least until the properties he'd invested in were sold.

Mr C didn't accept the investigator's findings as he felt it was unfair that Yielders Limited would require his bank statement now after investing with the platform and considering he didn't request its records when he first invested. He also felt he should be entitled to the funds he initially invested immediately.

As such, the complaint has been passed to me to decide.

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 hope Mr C doesn't take it as a discourtesy that I won't be responding to each submission or every point he has raised. The purpose of my decision isn't to do that, but rather to explain my findings on the key issues. The crux of Mr C's complaint is about the need to provide a bank statement to release what funds are available to withdraw from his investment, as well as his ability to withdraw all his investment immediately. I'll explain why I think Yielders Limited has acted fairly regarding both issues in turn.

Bank statement requirement

A financial firm is under many obligations. It has to look after the money and assets that its clients entrust to it. And it has to comply with anti-money laundering and terrorist finance requirements. Checking a client's identity has a role in relation to both. When financial firms make these checks it can be frustrating but there are good policy reasons for them. They are a necessary inconvenience.

Financial firms are required to take a risk-based approach and often use processes that try to minimise the inconvenience to clients. That means in an area like crowdfunding, which can be time sensitive, the firm may accept instructions to invest an investor's money without first making full checks. The firm can then make the necessary checks before releasing the sale proceeds. I understand that Mr C first deposited funds into his e-Wallet using a card payment and looking at Yielders Limited's website, it doesn't say whether checks are required at this stage. However, the website does explain that checks are required when withdrawing:

"How to withdraw funds

To withdraw funds from your eWallet the registration of your bank details is required, which is completed through providing the Yielders team with a recent bank statement dated within the last three months to team@yielders.co.uk.

Please note: the address on your bank statement must match the address we hold on our records. If you have moved to a different address please also submit one of the valid proofs of address from this list:

- *Utility Bill such as electricity/gas/water/council tax dated in the last 3 months*
- *Tenancy Agreement with a future end date*

Once your bank details have been registered you are able to withdraw your funds."

Taking into account all of the above, I'm satisfied Yielders Limited made Mr C aware that a bank statement would be required in order to withdraw his funds and that establishing proof of identity in this way isn't unusual or unreasonable. And so I'm satisfied Mr C would need to provide this information before Yielders Limited is able to release any of his funds which are available to withdraw.

Withdrawing Mr C's invested capital

I understand Mr C is also unhappy that he's unable to withdraw his invested capital in full. Yielders Limited has explained that Mr C is only able to access his funds when the properties within the SPV are sold. It says an investor vote was held on 22 June 2021 in which a majority voted to exit earlier than the five-year investment period. This resulted in one of the properties being sold and arrangements put in place to sell the remaining two.

In reaching my decision, I've taken into account the wider regulatory obligations on Yielders Limited. Yielders Limited is authorised and regulated by the Financial Conduct Authority ("FCA"). The relevant rules and regulations FCA regulated firms are required to follow are set out in the FCA's Handbook of rules and guidance.

The FCA Principles for Business ("PRIN") set out the overarching requirements which all authorised firms are required to comply with. PRIN 1.1.1G, says "The Principles apply in whole or in part to every firm". The Principles themselves are set out in PRIN 2.1.1R. The most relevant principles here is:

- PRIN 2.1.1R (7) *"A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading."*

Yielders Limited was also required to act in accordance with the rules set out in the Conduct of Business Sourcebook (COBS). And the most relevant obligation here is:

- COBS 4.2.1R (1) *"A firm must ensure that a communication or a financial promotion is fair, clear and not misleading."*

So I've considered what information Yielders Limited provided to Mr C regarding the investment opportunity and how it would work.

Mr C was provided with an investment memorandum before investing. Having reviewed this, I think it was made sufficiently clear to Mr C that his investment would be for minimum term of five years. And so he ought only have invested if he was happy to proceed knowing his investment may be tied up for this period.

I understand that, prior to the vote for early exit, Mr C could have tried to sell his shares to another investor by way of Yielders Limited's secondary market. However, Yielders Limited has explained that the Secondary Market for this SPV was suspended following the vote and so Mr C is unable to exit early. I think this is reasonable considering it wouldn't be fair for Yielders Limited to allow Mr C to sell an investment that is no longer performing as anticipated to another investor. Furthermore, this service isn't able to consider any of the shareholder decisions made within the SPV, which includes the vote to exit early.

The investment memorandum also clearly explained the numerous risks associated with the investment, including the length of the investment and being obliged to accept votes in

accordance with the articles of association, as well as the key risks associated with the performance of the investment.

So taking into account all of the above, I'm also satisfied Yielders Limited clearly explained how Mr C's investment would work, the key risks associated with it, as well as why it's fair that he isn't able to access his invested capital immediately.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 10 November 2023.

Ben Waites
Ombudsman