

The complaint

Miss E complains that Crowd Property Limited (“CPL”) failed to provide clear information regarding her peer-to-peer crowdfunding account.

What happened

Miss E has been investing with CPL since December 2020 through its AutoInvest account – in which CPL actively selected loans for Miss E to invest in.

Miss E complained to CPL in March 2024 as she was unhappy to discover that, despite setting her maximum pledge at £100 per individual project, CPL had overinvested just under £3,000 of her funds across 30 projects. Miss E said the following wording on CPL’s website was misleading:

“You can specify the maximum amount you’d be willing to pledge towards any one project and we guarantee to never exceed this, ensuring you achieve your desired level of diversification.”

She said it had transpired that the maximum pledge was applied on a ‘phase’ rather than a ‘project’ basis, meaning she had invested more than a £100 in some projects as the overall project was funded across multiple phases. Miss E felt that CPL should refund her the funds which was oversubscribed to these projects.

CPL considered Miss E’s complaint but didn’t uphold it. In summary, it said:

- CPL raises money to fund development projects in phases (sometimes as many as seven per project) and historically it has used the terms ‘project’ and ‘launching’ when referring to subsequent series of existing projects.
- It agreed that this terminology could be deemed misleading to an investor without much experience of using its platform and so it changed this to ensure investors would know if it was raising money for a new or existing project.
- It updated its website on 3 April 2024 (the day after Miss E had raised her concerns).
- The vast majority of retail investment on the platform comes from auto-invest accounts and if CPL only took money from these accounts to fund only the first phase in a project, it would struggle to raise the necessary funds required for subsequent phases – likely leading to projects failing.
- It recommends that investors read the project review emails it sends investors to ensure the next phase (project) meets their individual needs and risk appetite and that it provides a function for investors to skip the next phase if they don’t want to participate.

Miss E didn’t accept CPL’s response and so she referred her complaint to this service for an independent review.

One of our investigators considered Miss E’s complaint but didn’t uphold the complaint. In summary, whilst they felt the terminology was misleading, they didn’t think this was a decisive in Miss E’s decision to invest with CPL. They noted that CPL had been operating in this way since Miss E began investing in December 2020 and she had benefited from

earning an average return of just over 8%. They also explained that CPL had provided Miss E with details regarding her individual investments each time she pledged more funds into existing projects and noted she hadn't complained at the time about any overinvestment into a single project. They also explained that the 30 projects Miss E had referred to were still active and continuing to pay her interest.

Miss E didn't accept the investigator's findings. In summary, she said:

- CPL's actions were not in her best interests as it exposed her to a higher level of risk than was originally agreed.
- She stopped investing on the platform the moment she found out about the over-exposure.
- She didn't read the investment notifications and even if she had, she wouldn't have been able to recognise whether she was investing into an existing project she'd already been exposed to.
- She suffers from health issues, which had meant she can't remember the names of projects she had previously invested in. This was why she chose CPL's auto-invest account.
- She has over-invested in loans which are currently late and/or in default and the interest that she has earned is only what she would have been entitled to had she been invested in different projects.

As Miss E remained unhappy, 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.

Before I go into my findings, I'd like to start by saying I'm sorry to hear about Miss E's health issues and how this has affected her whilst investing with CPL. CPL says it wasn't made aware of this and I understand it has since reached out to Miss E to let her know about what additional support it can give her.

At the time of promoting the investment opportunity, CPL was authorised and regulated by the 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."

CPL 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."

I understand that the crux of Miss E's complaint is that CPL failed to provide clear, fair and not misleading information to her regarding as it had misled her by saying maximum pledge was applied on a 'phase' rather than a 'project' basis. I agree that this terminology is misleading, and CPL also agrees as it has since changed this. However, whilst it may have

been misleading, my role is to determine whether, but for CPL's error, Miss E would have or would not have still invested.

Before I do so, I must acknowledge that information about investing into several phases as part of an overall project was explained to Miss E, albeit not in the wording on CPL's website. I understand that CPL provides investors, like Miss E, with several emails before and after a phase goes live to provide them with the project details, including which phase of a project is being raised. I understand that investors have the option to opt-out of the next phase on the platform, but even if they don't decide to opt-out, the confirmation email states that investors can withdraw their pledge in the following 24 hours. I appreciate Miss E says she didn't read the investment notifications; however, CPL has explained that she did open a pledge confirmation for an investment into a project on 18 April 2024 and subsequently cancelled her pledge. As such, this demonstrates her ability to cancel a pledge upon receipt of the notification, when the pledge did not suit her investment objectives. So, I do have some doubts as to whether Miss E ought to have realised she was invested into several phases of a project. Having said that, I acknowledge that she was invested into a lot of projects and so may have had some difficulty cross-referencing each of the projects.

Turning to whether Miss E would have invested regardless of CPL's misleading wording. CPL has explained that most of its retail funding comes from AutoInvest rather than Self Select investors. It says that if AutoInvest only worked for the first phase of a project, it would struggle to raise the funds for subsequent raises from Self Select pledges alone, meaning the project would be unlikely to succeed and thereby repay all investors, including those who only wished to invest in the first phase. CPL has explained that Miss E has previously invested in projects over several phases and says that had it disabled AutoInvest from funding anything other than the first phase, Miss E wouldn't have benefited from these projects successfully completing.

I understand that Miss E has been investing with CPL via her AutoInvest account from December 2020 to date, having invested in over 200 phases over circa 140 projects, of which 139 have been fully repaid to her. I also understand she has received a realised average return of 8.05% (which exceeds the contracted average return on the platform). I appreciate Miss E is still waiting on some projects to complete and repay her and she says that she wouldn't have been 'tied-in' to these if she'd have known CPL would invest her maximum pledge into several phases. However, it's clear that Miss E has been benefiting from the phase-basis investment for some time and has achieved a healthy interest rate on her investment in doing so.

CPL has also explained that since making her complaint, five of the twenty late paying projects have now repaid in full, and she is receiving an additional 2% pa as compensation whilst she waits for repayment on the majority of the others. CPL says it has reported a potential partial loss of original capital for two of the remaining projects, but no losses have yet crystallised and it's working with receivers to ensure the best outcome for investors. So whilst I appreciate Miss E has now complained about her feeling 'tied-in' to these projects unfairly, I'm satisfied she has benefitted, continues to benefit by way of the additional interest and may also receive full repayment on the outstanding projects if and when they complete.

So whilst I appreciate Miss E feels she has been misled by CPL, taking into account all of the above, I'm persuaded that if full information had been given to Miss E about the fact her maximum pledge would apply to 'phases' rather than 'projects' she would have still continued to invest with CPL. I say this, as I think she would have understood the implications of not funding later phases of projects and understood how the platform worked to provide her with the target interest rate. I also need to consider the fact that Miss E has received significant returns from phased loan parts - so it is quite possible that's she has benefitted overall from investing in this way. As such, it wouldn't be right to look at only the

loans that are now facing potential losses.

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 Miss E to accept or reject my decision before 6 December 2024.

Ben Waites
Ombudsman