

The complaint

Mr S complains Crowdcube Capital Limited have failed to properly support him when he was trying to exercise his rights as a shareholder in relation to an investment it arranged for him on its platform.

What happened

In 2019, Mr S invested around £10,000 in shares in a company (I'll call Company A) promoted on Crowdcube's crowdfunding platform. The shares were to be held on a nominee basis with Crowdcube.

Mr S made inquiries with Company A as he wanted to exercise his rights as a shareholder to receive information about its business practices.

When he didn't receive the information he was seeking from the company, he contacted Crowdcube to ask it to support him in obtaining it. Crowdcube responded to say its investor terms clarifies its stance as the nominee and pointed him towards how it deals with company communications. It said it would share information it can.

Mr S was unsatisfied with how it responded to his request for help and raised a complaint with Crowdcube.

Crowdcube didn't uphold the complaint. In summary it said it completed extensive due diligence before allowing investors, like Mr S, to purchase shares in Company A. It said it conducted background checks on the company and its directors including personal credit and bankruptcy checks, directors' disqualification checks, previous company checks and accreditation checks and found nothing untoward.

Mr S remained dissatisfied and asked this service to investigate. He said Crowdcube failed to protect his rights as a minority shareholder and had not addressed his serious concerns about Company A's lack of transparency, potential misrepresentation, and a potential breach of duties by its majority shareholders.

One of our investigators looked into the complaint, he didn't uphold it. In summary he said:

- Crowdcube as nominee, ensures that the rights of shareholders, as set out in the shareholder agreement, are upheld. However, its role does not extend to actively managing or overseeing the internal business practices.
- While Mr S has raised several queries, it wouldn't be reasonable to expect Crowdcube to act and liaise with Company A on every individual query it may receive.
- He didn't find anything that would indicate Crowdcube were made aware when the offering was promoted on the platform that there would be issues in the future.
- He wasn't persuaded Crowdcube was obliged to intervene in the actions of Company A or attend and contribute at the AGM's, unless it affected the majority of the shareholders.

Mr S didn't accept the response and requested an ombudsman reaches a decision on his complaint. In summary he said:

- Crowdcube was absent and did not vote or represent his interests at a recent Extraordinary General Meeting (EGM) relating to a significant share issuance (dilution) that will negatively affect the value of his shares.
- There is no mechanism provided by Crowdcube to allow for a majority mandate to be established for shareholders.
- There are serious governance and regulatory risks at Company A. If the company is mismanaged, under sanctions scrutiny, or artificially deflating the share price to benefit insiders, it imperils every Crowdcube investor's stake.
- Given these risks, it is difficult to see how Crowdcube can maintain it is fulfilling its "best interests of all investors" role. Even if Crowdcube does not routinely intervene in day-to-day management, substantial dilution and questionable governance are not trivialities. Nominee structures exist precisely to address such critical shareholder issues.

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.

When Mr S invested in company A through Crowdcube, its responsibilities towards him related to the promotion and arrangement of his investment. But the concerns Mr S raises in his complaint relate to events after he invested. The crux of Mr S's concerns is about actions (or lack of) by Crowdcube in its role as the nominee account holder of his shares in company A.

While Mr S is the beneficial owner of his shares, Crowdcube Nominee Limited hold the shares on his behalf. Crowdcube says as nominee, its primary role is to administer the shares and act in accordance with the terms of the nominee agreement, which is agreed upon by all investors during the investment process.

It says it does not routinely intervene in the day-to-day management or governance of the companies raising funds on the platform. And decisions regarding voting rights are made in line with its nominee obligations and typically focus on issues that would significantly impact all investors (e.g. changes to shareholders' rights or terms).

It is clear Mr S believes that Crowdcube's responsibilities extend further than this. I've read and considered all the points he has made in his complaint submissions. His expectations indicate that he thinks Crowdcube would play a far more proactive role in gaining information and support him when seeking to challenge the decisions and management of Company A.

In his submissions, Mr S has raised several points about the impact of decisions being taken by Company A that will affect the value of his investment. I appreciate that when asking Crowdcube to get involved in his requests, he is seeking to protect his interests.

Having considered everything, I haven't found there has been failings by Crowdcube. This means I don't agree that it has failed to act in Mr S's best interests. I accept that in its role as nominee it isn't obligated to intervene in matters of company management or represent individual investors' views unless a significant issue affecting shareholder rights is identified. I also don't find in its role as nominee that it will be involved in the overseeing of Company A's internal business practices. I appreciate Mr S's expectations are that Crowdcube should

be doing more to represent his interests, but I haven't found it has failed to meet its obligations to him when acting as nominee.

Mr S has raised a specific concern about not being able to contribute or vote at general meetings held by Company A. In the situation where Mr S (and other Crowdcube investors) are minority shareholders, I think it is a consideration of whether voting is likely to make a difference to the outcome of any vote taking place. Crowdcube also say there has been no clear mandate or collective instruction from the underlying beneficial shareholders for it to engage in voting.

I understand Mr S is concerned about decisions made by the management, but as he has mentioned there are majority shareholders in Company A who carry a significant proportion of the voting rights. This does mean the likelihood of any vote he missed out on expressing his view on, because Crowdcube didn't facilitate a process to gather his and other Crowdcube investor's positions, it is unlikely to have changed the overall outcome if a vote was submitted. Throughout his submissions Mr S has been clear he is extremely concerned with the direction and decisions being made by the current leadership of Company A, and he has raised this through various channels. I recognised he feels strongly about the situation, but ultimately Crowdcube isn't in a position to change the outcome of any vote that has taken place.

I note Mr S has questioned the mechanism provided by Crowdcube to establish a majority mandate. It has set out on its website the process if a vote is needed on a matter. This confirms it will poll all Crowdcube investors in that company electronically and instruct the nominee to vote in accordance with the wishes of the majority of investors who respond. I haven't seen how this would be established in respect of Company A shareholders. But I would expect Crowdcube to make sure that Mr S is kept informed about anything that could affect his interests as a shareholder, particularly if it changes his rights. But for the reasons explained above, this may still not prevent Company A taking actions Mr S doesn't support.

Lastly, I think it is worth acknowledging that the nature of investing in start-ups and early-stage businesses involves risks, including illiquidity, lack of dividends, loss of investment and dilution. When making his investment in Company A, Mr S couldn't have anticipated the precise issues that are now causing him concern about the safety of his investment. But as I've said, this is the risk of investing in this type of arrangement. And I don't find in Crowdcube's role as nominee, it carries responsibility for the actions by Company A that cause Mr S concern.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 29 August 2025.

Daniel Little
Ombudsman