

The complaint

Mr G's complaint is about the way Crowdcube Capital Limited presented an investment opportunity on its crowdfunding platform. He feels information about the company he invested in was inaccurate and the company has failed to deliver on the promised investor rewards.

What happened

Crowdcube is an investment-based crowdfunding platform that promotes investment opportunities by way of pitches. Prospective investors can view information about a business and the details of the investment in these pitches on the platform before deciding whether to invest. In return for their investment, they receive shares in the business.

Mr G made an investment in a company I shall refer to as "Company A" via Crowdcube's crowdfunding platform in 2020 amounting to £1,000. Mr G says that, in addition to receiving shares in Company A, he was entitled to investor rewards which included a free coffee table book which would be sent to him two to three times a year, as well as various discounts.

Mr G raised a complaint with Crowdcube as he felt Company A had failed to provide the investor rewards as promised and these were a key factor in him deciding to invest.

Crowdcube considered Mr G's complaint but didn't uphold it. In summary, it said:

- It had contacted Company A following Mr G raising his complaint and it found that in 2020, Company A had transitioned from a Business-to-Consumer ("B2C") to a Business-to-Business ("B2B") model. As a result, the original investor rewards were no longer applicable to their new operations. Unfortunately, this change was not communicated to investors.
- While it does everything it can to ensure companies fulfil their obligations, it is unable to directly force the delivery of rewards as this remains the company's responsibility. This was highlighted in its terms and conditions.

Mr G didn't accept Crowdcube's findings and so he referred his complaint to this service for an independent review.

One of our investigators looked into Mr G's concerns but didn't think Crowdcube had done anything wrong. In short, they said:

- They were satisfied that the information within the pitch was fair, clear and not misleading.
- The pitch mentioned that Mr G would be entitled to receive a twelve-month subscription to its magazine, and the early access to collaborations, exclusives and promotions, as well as the 10% discount on orders but the investigator couldn't find any evidence of Mr G being entitled to receive a physical book or magazine.
- They felt Crowdcube's terms and conditions were clear that Crowdcube wouldn't be responsible for the provision of investor rewards.

Mr G didn't accept the investigator's findings as he felt Crowdcube had misrepresented the investment opportunity and so 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.

At the time of promoting Company A's investment opportunity, Crowdcube 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 are:

- PRIN 2.1.1R (2) "A firm must conduct its business with due skill, care and diligence."
- PRIN 2.1.1R (6) "A firm must pay due regard to the interests of its customers and treat them fairly."
- 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."

Crowdcube was also required to act in accordance with the rules set out in the Conduct of Business Sourcebook (COBS). And the most relevant obligations here are:

- COBS 2.1.1R (1) “A firm must act honestly, fairly and professionally in accordance with the best interests of its client.”
- COBS 4.2.1R (1) “A firm must ensure that a communication or a financial promotion is fair, clear and not misleading.”

So before approving Company A’s pitch, Crowdcube needed to satisfy itself that the information contained within it was fair, clear and not misleading. And it also needed to be satisfied that by approving the promotion and allowing Mr G to invest in Company A, it would continue to be acting in his best interests.

In order to satisfy itself of the fair, clear and not misleading nature of the claims or assertions made in the pitch, Crowdcube would need to carry out reasonable checks. What these reasonable checks involve, or indeed what they might be in any given case, is something which is very much left to each platform to determine and would vary according to the particular circumstances. It’s clear that it wasn’t the regulator’s intention to provide a set of tick boxes which needed to be completed for a promotion to be approved.

I’ve also borne in mind that the FCA said the following in its July 2018 consultation paper on loan-based (‘peer-to-peer’) and investment-based crowdfunding platforms:

“It is our view that it will be unlikely that a platform could argue that it has met its obligations under Principle 2, Principle 6 (PRIN 2.1.1R) and the client’s best interests rule (COBS 2.1.1R), if it has not undertaken enough due diligence to satisfy itself on the essential information on which any communication or promotion is based.”

The FCA also said that:

“In relation to statements about future commercial success, this should include at least a basic plausibility check. For example, if a borrower says it is going to build a block of flats within 6 months but it does not have the relevant construction permissions, it would seem reasonable for a platform to question the plausibility of the project.”

I’ve also considered the FCA’s guidance on approving financial promotions from November 2019 which explained that firms should:

“...analyse, and carry out due diligence regarding, the substance of a promotion before approving its content for communication by an unauthorised person. The extent and substance of the analysis and diligence needed to be able confirm that a promotion is fair, clear and not misleading will vary from case-to-case and will depend on the form and content of the promotion. When assessing whether a promotion is fair, clear and not misleading, a firm may need to consider (among other things):

- *The authenticity of the proposition described in the relevant promotion.”*

The FCA’s website provides consumers with useful information on crowdfunding. This includes a section on how consumers should protect themselves before investing and says they should first understand what due diligence a platform performs on investee companies.

Looking at Crowdcube’s website, it makes it clear what due diligence it performs in its due diligence charter. It explains:

“The following due diligence is carried on each company before the pitch is open to investment: [...] to fact check all statements and claims made in the pitch text to ensure it is fair, clear and not misleading by obtaining, where possible, independent evidence.”

Taking into account the above, it's clear that Crowdcube's due diligence needed to be sufficient to satisfy itself on the essential information on which the promotion of Company A was based. Crowdcube also needed to check that the claims made in the pitch were authentic by way of a basic plausibility test. Further, Crowdcube needed to make Mr G aware of the extent of which it performed due diligence on Company A, let him know the outcome of this and for it to be sufficiently detailed to allow him to weigh up the risks and benefits of investing in Company A.

The crux of Mr G's complaint is that Company A didn't provide the investor rewards which Crowdcube promoted it would. The pitch for the investment opportunity in Company A said that for investments from £500 and investor would receive double cashback (10% on every order); a free one-year subscription to the bi-annual magazine and early access to collaborations, exclusives and promotions.

Considering the above, I understand why Mr G was unhappy not to receive the investor rewards as promised. However, I have to consider the extent to which this is Crowdcube's fault. Looking again at Crowdcube's website, it makes it clear what due diligence it performs on investor rewards on in its due diligence charter. It explains:

“Crowdcube will check that any rewards offered to investors as shareholder benefits post investment are reasonable and deliverable”

But it also goes on to explain that:

“Crowdcube is not responsible for delivery of the rewards - this is the responsibility of the Company.”

Furthermore, Crowdcube's terms and conditions explain that:

“6.16 The terms relating to the provision of any rewards for investment advertised on the Pitch shall constitute part of the agreement formed between the Investor and the Company pursuant to clause 6.9. Crowdcube shall not be responsible for the provision of such rewards and shall not be liable for any delay or failure of the Company in the provision of such rewards.”

I've not been provided with anything which would persuade me that Crowdcube ought to have known at the time of promoting the investment that the investor rewards offered were not reasonable and deliverable. I say this as it plausible that Company A could deliver on the rewards due to the nature of the business it conducted.

I also think Crowdcube made it clear in its terms and conditions and due diligence charter that it wasn't responsible for the delivery of investor rewards and I think this is reasonable considering Crowdcube itself wasn't providing these. I also don't think it would be fair or reasonable to hold Crowdcube responsible for any pivot in business model Company A has decided to make. However, I would expect Crowdcube to engage with Company A to understand why it was no longer able to provide Mr G with the rewards and I understand that it has. Crowdcube says that Company A has proposed an alternative reward of 20% discount on ad spend and has asked it to ensure this is communicated to all affected investors.

I appreciate my findings may be disappointing for Mr G, but I'm satisfied that Corwdcube's promotion of the pitch was clear, fair and not misleading and that it has acted in Mr G's best interests in in trying to find an alternative reward for him.

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 G to accept or reject my decision before 6 June 2025.

Ben Waite
Ombudsman