

## **The complaint**

Mr F complains about a fee Crowdcube Capital Limited has introduced when he exits his investments that he purchased on the platform. He says the fee is disproportionate and opportunistic.

## **What happened**

In 2016 Mr F purchased shares in a company, which I shall refer to as “Company A”, through Crowdcube’s crowdfunding platform. The shares were held on a nominee basis meaning Mr F was the beneficial owner and they were held on trust on his behalf by Crowdcube Nominees.

In 2023, Crowdcube introduced a liquidity fee as part of secondary sale transactions it completed for investors wanting to sell shares from earlier raises.

In December 2024, Crowdcube informed investors about the potential for a secondary sale opportunity of shares in Company A and asking them to register an interest. As part of the process, Crowdcube notified Mr F that if he did sell his shares as part of the secondary liquidation it would be charging him a 5% fee to cover the facilitating of the transaction. It said the fee covers the preparation and handling of legal documentation, completing required compliance checks, and payment facilitation, as well as all third-party transaction costs.

Following this Mr F raised a complaint as he was concerned about the fee being proposed by Crowdcube as he felt it was unjustified. He said he felt the introduction of the fee didn’t align with the Financial Conduct Authority’s Customer Duty rules and that it had breached the Consumer Rights Act 2015 by not giving him any opportunity to opt out of this fee.

Crowdcube responded to the complaint but didn’t uphold it. In summary it said:

- Its fees are proportionate and comparable within the market for the discretionary liquidity of private company shares.
- The liquidity fee reflects the level of service provided and the significant returns facilitated by Crowdcube for its investors.
- It was transparent about the fees it charges. As Crowdcube has grown its service offerings it has added the facilitation of discretionary secondary liquidity events to the services that it provides. It clearly communicated there would be fees associated with a discretionary liquidity event. It is not imposing as it only applies if an investor chooses to take advantage of the opportunity.

Mr F didn’t accept this response and referred his complaint to this service for an independent review. He said the fee imposed by Crowdcube as part of the secondary sale is unjustified, appears disproportionate and opportunistic due to the minimal work involved.

One of our investigators looked into the complaint but they didn’t uphold it. In summary they said:

- The 5% fee for secondary sales was part of a new, discretionary service introduced many years after Mr F's initial investment in shares in Company A.
- It was not applied retrospectively. Instead, investors were invited to participate on the basis of clearly disclosed terms and had the option to not proceed if they didn't agree.
- Crowdcube was transparent about the fee and what it covered and gave enough notice for Mr F to make an informed decision.

Mr F responded to the view to provide further arguments. In summary he said:

- The share sale was an issuer-orchestrated event and not a Crowdcube "new service". The transaction was initiated and controlled by Company A and Crowdcube's role was largely administrative.
- The original investor terms set applicable charges, not later terms created for separate discretionary services, and these only allowed Crowdcube to recover reasonable, cost-based fees tied to actual administrative expenses.
- A flat 5% of transaction value bears no demonstrable link to actual administrative cost.
- The fact participation was optional doesn't remedy unfairness, particularly when the alternative was continued illiquidity.
- Crowdcube has departed from usual practice. Earlier liquidity opportunities provided for shares in Company A did not involve this sort of investor fee.
- At the time of original investment, investors were told there would be no investor fees on investment or exit, so imposing a significant fee years later conflicts with fair value principles.

As no agreement could be reached the complaint has been passed to me to reach a decision.

### **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 crux of this complaint is the fee that Crowdcube have charged Mr F as part of the secondary sale event relating to his shares in Company A. I note when Mr F bought his shares in Company A, Crowdcube were responsible for arranging the purchase. It promoted the opportunity on its crowdfunding platform, which allowed Mr F to invest. It had regulatory obligations in this respect, and it entered into an agreement with Mr F for this transaction. While Mr F's complaint isn't about the arrangements made to acquire the shares, there is disagreement about what happened when Mr F was later given the opportunity to sell them.

Mr F clearly feels that Crowdcube has acted unfairly by introducing a fee when completing the most recent secondary sale. He says that when he purchased the shares, he was told there would be no exit fees, and the inclusion of a fee wasn't covered in the terms he agreed to at the time. He doesn't accept that Crowdcube is providing a new service when completing the secondary sale and sees it as Crowdcube acting contrary to the terms he agreed to.

Crowdcube argues that secondary sales weren't envisaged when Mr F purchased his shares in 2016 and the anticipated exit method was through a listing or an Initial Public Offering. It maintains it wouldn't charge fees to Mr F on these shares for non-discretionary exit. It also says the terms applicable from the purchase aren't relevant to the secondary sale. It says the 2016 terms relate to the transaction completed at the time, and don't provide for ongoing service akin to a bank account, where a customer agrees to terms which remain on foot for all services ever provided by the firm to the customer, which are then subsequently varied.

Rather, the investor terms operate on a transaction-by-transaction basis, meaning a set of terms is applicable to each time an investor makes a new investment, and this reflects the nature of the investment services provided by Crowdcube.

As explained above, Mr F's original interactions with Crowdcube were for the arrangement to purchase shares in Company A. I've reviewed the 2016 terms that were applicable when Mr F invested. The terms cover the relationship between Crowdcube and investors who wish to subscribe for shares in response to an investment proposition on the website. These say that Crowdcube provides services relating to the arranging of the investment. The terms cover the arrangement and purchase process. So not surprisingly they are silent on secondary sales. There is also no information given about other exit opportunities, or services Crowdcube would be providing in this respect.

Crowdcube has explained that in more recent years secondary liquidation opportunities have become more common, and while not something it anticipated to offer as a service to customers in 2016, it was now something it was providing to investors. Since Mr F invested in 2016, Crowdcube has introduced changes to its fees as its services have evolved for new investments, but he isn't subject to these fees in respect of his shares in Company A. I haven't seen that Crowdcube has sought to impose its updated terms on him.

Mr F claims Crowdcube breached the Consumer Rights Act 2015 by retrospectively imposing fees as he sees it as an alteration of an agreement without giving him the right to cancel. He has requested he is provided with a right to cancel. It's not for me to decide whether a term is fair or not – that is something only a court can decide. But as a regulated financial business, Crowdcube is under an obligation to treat its customers fairly.

As noted above, the original agreement Mr F made with Crowdcube related to the arrangements to acquire shares, and it didn't include any terms relating to secondary sales or exit. Crowdcube's position is that the sale of the shares is not a continuation of the original agreement, but rather a new discretionary transaction Mr F was given the option to enter into (which included a fee). So, I don't find Mr F's points about a lack of ability to exit persuasive, as there was no requirement from Crowdcube for him to enter the secondary sale transaction.

I acknowledge Mr F's points about being charged a fee that he wasn't expecting to have to pay when selling his shares. But I am persuaded by Crowdcube's evidence around the secondary liquidation being a service that wasn't covered as part of the original purchase of the shares. In the circumstances, I think the balance of evidence does support Crowdcube were providing a new discretionary service to Mr F when it informed him of the secondary sale, and it set the applicable fees and the terms for this sale. I appreciate the ability to liquidate at a significantly higher price than Mr F purchased his shares for, would have been attractive proposition, but it was still not compulsory.

I've also considered whether Crowdcube's communications were clear about how much the fee would be if Mr F elected to sell his shares. He was given notification of the fee when the opportunity for a sale was first communicated. This was prominent and disclosed before taking up an option to sell. So I'm satisfied Mr F was in an informed position before agreeing to sell and as a consequence would incur the 5% fee.

I acknowledge the points raised by Mr F about Crowdcube completing an earlier secondary sale of his shares in Company A and that it didn't charge a fee for this transaction. He says this shows Crowdcube has departed from usual practice. Crowdcube has provided comment on this. It says in 2018 it did not offer its services as an arranger of secondary liquidity opportunities, mainly because the secondary market was not yet developed. Also, there were commercial considerations that limited its role. In 2018 secondary sales weren't common, so I don't think it can be said Crowdcube were acting outside of normal practice in

2024 by taking a different approach. I understand why Mr F raises this point, but I'm not persuaded this is critical to my findings on this complaint. The earlier sale was carried out in different circumstances, more than six years earlier. The fact a fee wasn't charged then, in my view, isn't sufficient by itself to say Crowdcube treated Mr F unfairly in the recent sale.

Having considered everything that has been provided, I haven't found that Crowdcube has treated Mr F unfairly by including a fee as part of the secondary sale of his shares in Company A.

But Mr F has questioned whether Crowdcube was allowed to do no more than pass on its costs when setting the fee. To make his point he's referred to the explanatory note, which set out the nominee structure the Company A shares would be held under for Crowdcube investors. Specifically, he has referred to a section that says, generally administration costs will be covered by Crowdcube and that certain costs may be passed on to Crowdcube investors. This goes on to say that such costs will be charged on a cost basis – examples are given of paying dividends, return of capital and other corporate actions such as transferring share ownership. Mr F has linked this to the fee Crowdcube has imposed on the secondary sale. He says the fee should only reflect the costs of the transaction – and doesn't think it can justify the amount of fee based on the costs it incurred in facilitating the sale of his shares. He argues that Crowdcube has failed to comply with the Consumer Duty when imposing the fee.

I've considered Mr F's submissions on this. Firstly, I acknowledge the points Mr F makes in relation to the explanatory notice, but I don't agree it carries the relevance he suggests when considering the fee Crowdcube has charged as part of the secondary sale of his Company A shares. This transaction isn't a corporate action; it is a discretionary service that Mr F was able to engage in if he wanted to sell his shares. While it is apparent Mr F believes that the fee is too high when compared to his understanding of the costs incurred, in my view, the sale isn't as simple as Crowdcube passing on the costs of a corporate action. I also haven't seen that Crowdcube has indicated the fee was set based on a direct passing on of costs. Rather Crowdcube has provided an explanation to support why it feels the fee does provide fair value – as it is required to under its regulatory obligations.

Mr F has also raised concerns about the amount of the fee (5% of the transaction) and doesn't think this is justifiable for the service that has been provided. He says the transaction was initiated and controlled by Company A, so thinks Crowdcube's role was largely administrative. He also questions whether the fee should be cost based and not a blanket percentage of the transaction value.

Crowdcube disagrees and says it was a resource-intensive transaction requiring coordination across legal, compliance, portfolio, finance, and investor support functions. It has provided information on the activities it undertook in relation to this specific opportunity. It says it was involved in 18 months of negotiations with Company A, overcoming challenges before reaching an agreement to widen the secondary sale to early investors, including Crowdcube investors. It has also highlighted the legal work required for the overarching agreement and completion of documentation - with various compliance requirements needing to be completed. Along with the investor engagement required to ensure sales completed as expected. It has also referenced the settlement and distribution needed to execute the transaction and update records.

While it is difficult to quantify every task undertaken, I'm satisfied Crowdcube has provided sufficient information to show that it did play a significant role in the transaction. For this reason, charging a fee of 5% doesn't on the face of it seem to be contrary to the Consumer Duty.

The Consumer Duty doesn't require Crowdcube to set fees that align only with the direct cost of providing a service. The Duty also doesn't seek to act as a price cap, so Crowdcube had flexibility in the way that it set the fee for providing the secondary sale service. The fee isn't specific to the Company A shares secondary sale that Mr F participated in, it is for situations where Crowdcube offers a secondary sale opportunity to investors. But I'm also conscious Crowdcube still needs to show it is meeting its obligations and providing fair value. Crowdcube has confirmed it completed a fair value assessment as required under its regulatory obligations for the different services it provides. It has shown that this involved assessing what comparable fees are payable in the market. My understanding is that there are two main firms that account for a significant proportion of the equity based crowdfunding market. So, it is reasonable for it to focus its comparison on its closest competitor in this situation. I'm satisfied Crowdcube has provided evidence that its charging structure for the secondary sale service, is broadly in line with other firms that provide similar services. While fees and the exact nature of services vary, having considered this information, I can't say that Crowdcube is out of kilter with other firms that provide a similar service.

When setting a fee there are a variety of considerations for Crowdcube including whether it charges at a flat rate, as a percentage or another variation. The fact Crowdcube elected to charge a percentage of the transaction isn't unusual, and in my experience, this is a common method used for charging fees when providing investment services. So, I don't think the fact Crowdcube charged a percentage fee can be considered intrinsically unfair.

Mr F has also highlighted the overall value of the fees Crowdcube has collected across all investor sales in the Company A share secondary event, and it does appear the size of the overall transaction is a factor in why Mr F thinks it has acted unfairly. But I'm only considering whether Mr F has been treated fairly, so I'm not able to comment further as it is beyond my remit.

Overall, I'm not persuaded it would be fair and reasonable to reach a conclusion that by charging a fee, Crowdcube has acted contrary to its regulatory obligations when compared to the overall benefits and the nature of the service provided. I appreciate Mr F feels strongly about this complaint, but I haven't found reason to ask Crowdcube to refund any of the fee he paid when selling his shares.

### **My final decision**

For the reasons given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 4 March 2026.

Ben Waites  
**Ombudsman**