

## The complaint

Mr M complains about a fee Crowdcube Capital Limited introduced when he sold shares that he purchased on the platform. He doesn't think it is justified in doing this and says it is acting unfairly by charging the fee.

## What happened

In 2016, Mr M purchased shares in a company (I'll refer to as 'Company R') through Crowdcube's crowdfunding platform. The shares were held on a nominee basis meaning Mr M 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 R shares asking them to register an interest. As part of the process, Crowdcube notified Mr M 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 M agreed to participate in the transaction, but at the same time he raised a complaint as he felt the fee to be charged by Crowdcube was unjustified. He also referred his concerns to this service.

At the end of January 2025, Crowdcube provided Mr M with its response 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 is 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 a fee as it only applies if you choose to take advantage of the opportunity.

On 4 February 2025, Crowdcube confirmed to Mr M it had sold 110 R shares on his behalf and the proceeds had been transferred to his bank account. This broke down the transaction showing the sale price, fees charged and interest added.

Mr M didn't accept the complaint response and asked us to complete an independent review of his complaint. He said the fee imposed by Crowdcube is holding investors to ransom and it is excessive due to the minimal work carried out. He requested either the fee is removed or it is changed to a modest fee to only cover the direct costs of the transaction.

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 M's initial investment in R shares.
- 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 M to make an informed decision.
- In respect of the delay in payment of funds, Crowdcube explained this was due to the processes it needed to satisfy its legal and compliance obligations. And it did pay interest to Mr M for the period between receiving the funds and payment, so it has treated him fairly.

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

- The fees that Crowdcube charged are not at all aligned to the costs incurred and in turn there is no alignment between the fee and the principles of the Consumer Duty.
- Crowdcube previously stated any fees it charged would be on a recharge basis not a value add basis.
- Crowdcube's role was administrative. The services it says it has provided sound impressive but in reality, are far more simple than made out and it has overstated its effort.
- He questions whether Crowdcube is meeting its obligations under the Consumer Duty in the fee being commensurate with the service provided.
- It is incorrect to say 18 months prior to the event, investors were informed that an opportunity would be coming up. Company R did not start preparing the transaction until April 2024 and didn't contact Crowdcube until well after this.
- In September 2025 Crowdcube processed another share sale event involving a larger number of investors and the costs were less than in the R secondary sale. He highlights this transaction to make the point that despite significantly fewer investors in the R share sale, the costs charged to investors were much higher. And suggests this supports the view Crowdcube has misrepresented that the fees from the R sale are designed to cover its costs.

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

Mr M has been clear he feels that Crowdcube has acted unfairly by introducing a fee when completing the secondary sale in late 2024 / early 2025. 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 M purchased his shares in 2016 and the anticipated exit method was through a listing or IPO. It maintains it wouldn't charge fees to Mr M 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 the terms that are relevant are the ones that are current at the point an investor makes a new investment, and this reflects the nature of the investment services provided by Crowdcube.

As explained above, Mr M's original interactions with Crowdcube were for the arrangement to purchase the R shares. I've reviewed the 2016 terms that were applicable when Mr M invested. At the outset the terms set out that they cover the relationship between Crowdcube and investors who wish to subscribe for shares in response to an investment proposition on the website. And it says 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 M 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 R shares. I haven't seen that Crowdcube has sought to impose its updated terms on him.

Mr M 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 M 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 M was given the option to enter into (which included a fee). So, I don't find Mr M'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 M's points about being informed of a fee that he wasn't expecting to have to pay when selling his shares. But I am persuaded by Crowdcube's point around the secondary liquidation event 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 was providing a new discretionary service to Mr M 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 M purchased his shares for, would have been an 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 M 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 M was in an informed position before deciding whether to sell and it was made clear if he did he would incur the 5% fee.

I acknowledge the points raised by Mr M about Crowdcube completing an earlier secondary sale of R shares and that it didn't charge a fee for this transaction. He says this shows Crowdcube has departed from usual practice. Crowdcube has provided comments 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 M 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 M unfairly in the recent sale.

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

But Mr M 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 R 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 M 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 M's submissions on this. Firstly, I acknowledge the points Mr M 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 R shares. This transaction isn't a corporate action; it is a discretionary service that Mr M was able to engage in if he wanted to sell his shares. While it is apparent Mr M 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 for the service it was providing – as it is required to under its regulatory obligations.

Mr M 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 R, 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 R overcoming challenges before reaching an agreement to widen future secondary sales 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 R shares secondary sale that Mr M 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 M has highlighted the overall value of the fees Crowdcube has collected across all investor sales in the R share secondary event, and it does appear the size of the overall transaction is a factor in why Mr M thinks it has acted unfairly. But I'm only considering whether Mr M 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 M 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.

Lastly Mr M has also raised a point relating to delays in Crowdcube making payment of the proceeds from the sale. He says funds were received from Company R by Crowdcube in mid-January, but he didn't receive payment until early February. He accepts interest was paid to him but says he could have more from holding the money in his own savings. He sees this delay as incongruent with Crowdcube's position that it deserves a 5% fee due to the process it provided to run the transactions. Crowdcube's position is that when it received the funds there was a delay in distribution due to the volume of investors, currency preferences, and the processes it was required to complete – including meeting its regulatory and legal obligations to ensure the safe, accurate payments. It says it passed on all the interest it received to the individual share owners.

Having considered this point, I think Crowdcube has treated Mr M fairly. There weren't significant delays in payment, and interest was included to cover the time he was without his funds. With a transaction of this nature, I accept it is likely there will be a delay between receipt and distribution of funds – and not something that can happen instantaneously as there are required processes that need to be completed. The fact interest was passed on in full, also indicates Crowdcube has acted fairly. While it is possible Mr M could have earned higher interest in his other savings account, it doesn't in my view, mean Crowdcube has treated him unfairly.

### **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 M to accept or reject my decision before 4 March 2026.

Daniel Little  
**Ombudsman**