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EU crowdfunding rules risk catering only for platforms, not consumers

The European Commission proposed new EU-wide crowdfunding rules today which could have served as a solid basis to protect people who invest through crowdfunding platforms. Unfortunately, the EU licence they propose is only of interest to the platforms that operate in more than one country and, even then, remains optional.

Investors would benefit from having more detailed information and risk warnings about projects, to assess whether investing in something is a sound decision. Crowdfunding platforms, which are usually online, help projects obtain money from many small investors.

The voluntary nature of this licence however means consumers will be in the dark as to which crowdfunding platforms offer higher standards of information about projects. Platforms operating solely at national level will have little incentive to take up such a licence, unless they want to escape from a stricter national regime.

Monique Goyens, Director General of the European Consumer Organisation (BEUC), said: "These rules have been set up to help crowdfunding platforms, not consumers. The licence is a solid basis, but it should be mandatory for any platform operating in the EU. Otherwise, what's in it for the end-user?"

"Creating a purely optional licence for crowdfunding platforms will not set a minimum standard for investor protection across the EU. On the contrary, doing this could provide a route for platforms to dodge stronger rules that are in place in some member states."

"Crowdfunding has helped lots of projects get off the ground, but it carries risks for investors. Austrian consumer group Arbeiterkammer has already exposed weak disclosure practices in this area. French consumer group UFC-Que Choisir recently found major crowdfunding platforms do not live up to consumer expectations. That's why investors need more protection and know more about what they're investing in." [1]

The Commission has proposed to issue licences to platforms who want to operate at EU level, which would mean they would not have to comply with different national laws in place. The licence would be granted by an EU financial supervisor [2] and would require the platform to disclose a minimum amount of information about each project and any risks associated with the project.

ENDS

Notes to editors

[1] For the report from Austrian consumer group Arbeiterkammer click [here](#). For French consumer group UFC-Que Choisir's analysis of 6 major crowdfunding platforms, click [here](#).

[2] The licence would be issued by the EU's securities and markets watchdog ESMA.