

CMA finds competition concerns in Crowdcube and Seedrs merger

Crowdcube and Seedrs are the 2 largest equity crowdfunding platforms in the UK. These types of platforms connect small and medium-sized enterprises (SMEs) looking to raise equity investment with investors willing to provide funding in return for a stake in the business. The proposed deal would result in the combined company having at least a 90% share of this important market.

Following a request from the companies, the Competition and Markets Authority (CMA) [agreed to fast-track the deal](#) to an in-depth Phase 2 investigation in November 2020, as it was clear from an early stage that the competition concerns would likely require a thorough review.

As part of its Phase 2 investigation, the CMA found that Crowdcube and Seedrs compete closely against each other to win the business of SMEs, with a significant number of businesses viewing equity crowdfunding as their only way to secure financial backing. A deal between the 2 could result in UK SMEs and investors losing out as a result of higher fees and less innovation. The CMA's initial view is that blocking the merger may be the only way of addressing these competition concerns.

To reach today's provisional finding, a group of independent CMA panel members reviewed evidence from the companies' own documents, their customers, and other stakeholders. This included carefully considering the firms' arguments that, should the deal not go ahead, there could be the possibility that one or both firms exit the market or would need to re-orientate their business strategy.

Kirstin Baker, Chair of the CMA inquiry group, said:

"Investment in small and growing businesses is vital to the UK economy as we emerge from the coronavirus pandemic, and we have given this deal careful consideration. These are the two largest equity crowdfunding platforms in the UK, with at least a 90% share of the market between them and we see them competing closely on price and innovation. This means the merger could lead to less choice and higher fees for SMEs and investors.

"We have therefore reached the view that blocking this merger is likely to be the best way to maintain competition. The decision to block any deal is not taken lightly and is only made if there is a real risk of customers losing out."

The CMA has now launched a consultation on these provisional findings and views are invited by 14 April 2021.

For more information, visit the [Crowdcube/Seedrs merger inquiry](#) web page.

For media enquiries, contact the CMA press office on 020 3738 6460 or press@cma.gov.uk.