

No crumbs of comfort for Bross Bagels crowdfunders

Larah Bross, founder of Bross Bagels, has told crowdfunding supporters that their investments will be honoured as her beleaguered business heads into liquidation with more than £1.2 million due to creditors.

The hipster sandwich group launched a so-called "Share Holer" crowdfunding initiative in October 2020 to raise £250,000 for the funding of a new bakery and to expand wholesale operations.

But Ms Bross's claims that crowdfunding supporters have nothing to worry about, contradict the terms and conditions of the scheme which clearly indicate that if the business becomes insolvent, those Share Holers' fees will be treated as "unsecured obligations" and the scheme is "automatically terminated".

Bagel fans were asked to contribute £1,000 into a membership scheme and in return, these "Share Holers" would receive up to £100 in bagel vouchers per year and be invited to VIP events, with their money returned after a four year period.



Crowdfunding scheme will be automatically terminated in insolvency

According to the company's latest financial accounts £144,000 is due to Share Holer creditors but figures [obtained in a joint investigation](#) by The Edinburgh Reporter/[The Edinburgh Guardian](#) show that figure to be more than £166,000.

A second round of crowdfunding was launched in September 2022 aiming to raise £150,000 – and as owner Larah Bross and partner Marc Millar petitioned for Bross Bagels Limited to be wound-up and a liquidator appointed on 3 August, the Share Holer scheme was still accepting donors.

In a message sent to “Dear Shareholders”, Mama Bross, as she dubs herself, claimed the liquidation of Bross Bagels, as first reported by The Edinburgh Reporter and The Edinburgh Guardian, was “part of our survival financial structure”.

She added: “News claims have been grossly exaggerated and are

the result of an illegal data breach concocted by a spurned investor with malevolent intent.

“These are difficult times but we are up for the fight and have a strategy in place which will not only help make us stronger but most importantly keep our staff in jobs, suppliers paid and your investment honoured.

“Please be assured that I’m taking every possible step to get Bross Bagels over this hump. It isn’t the first major challenge we’ve faced and it won’t be the last.”

However, insolvency expert and Partner at legal firm [Aberdein Considine](#), Ross Webb, suggested that crowd funders would be at the end of the queue for receiving possible reimbursement.

Mr Webb said: “It is possible that there is an investor(s) in the background who are willing to put funds in, but unless significant funds are available it is hard to see how all of the creditors (and investors) will get repaid.”



Insolvency expert and Partner at Aberdein Considine, Ross Webb One crowdfunding supporter told The Edinburgh Reporter/The Edinburgh Guardian: “I’m a shareholder and gave £1,000. Dissolving a business with what sounds like £1 million plus in debt is not a good look. I have also requested to withdraw from the Shareholder agreement – I want my money back!”

However, that appears unlikely to happen according to the Terms & Conditions of the Share Hole fundraiser, which are still available on the Bross Bagels website.

They state: “Individual members will be entitled to resign from their Membership by giving the Company at least 6 months’ prior written notice. Where a Membership is terminated by a Share Holder member ... the joining fees paid by the member in question are refundable to the member in question on the cessation of their Membership, subject at all times to the

cashflow of the Company.”

And it appears the membership scheme is annulled if the business becomes insolvent: “...in the event of the insolvency or cessation of the Company the Membership Scheme shall be automatically terminated and all joining fees from Share Holders members then outstanding shall be repayable as unsecured obligations of the Company.”

Our investigation earlier revealed that the sandwich group had petitioned to be wound up and a liquidator to be appointed as His Majesty’s Revenue & Customs (HMRC) pursued the company for debts of more than half a million pounds.

On 13 July HMRC had sent Bross Bagels a letter “Warning of winding up action for £574,132.03”. The next day – 14 July – Larah Bross registered a new business at Companies House in which she is the sole shareholder and trading as [Hot Mama Bagels Ltd.](#)

The letter from HMRC’s Debt Management division stated: “If the company doesn’t pay in full or contact us about a payment plan by 3 August 2023, we may apply for a winding-up order against the company for this debt”.

The letter goes on to warn that if the company is wound up the business could lose its assets, have its bank account frozen and may have to pay legal and other costs.

Earlier this month an email was sent by Bross Bagels’ financial department informing suppliers that the business had been placed in administration.

Local traders seeking payment and threatening to withhold services were told in the email that “the entity of Bross Bagels Ltd went into administration” on 3 August 2023, adding that the administrators would be in touch directly regarding the debt and to confirm the best way forward.

The Canadian-born business owner and comedian earlier said: "We are working tirelessly just to keep ourselves trading. We have taken professional advice; and a restructure has allowed us to safeguard all jobs and the good news is that it's business as usual for bagel lovers."

Hollywood A-list actor Alan Cumming has been a strong supporter of the brand and last year collaborated on the naming of a new vegan bagel in his honour.

The relationship was cemented in April when Larah Bross met up with the star during the Tartan Day Parade celebrations in New York and hosted a "Bagel Brunch" at the actor's Club Cumming cabaret bar.



Bross Bagels founder, Larah Bross, with stage and screen actor Alan Cumming

And as her business was entering liquidation, Ms Bross was

last week pictured with the BAFTA and Emmy award winning star at a late night party hosted by The List at Summerhall.

According to Companies House, Bross Bagels Limited latest annual accounts to 30 June, 2022, showed the business had net liabilities of £546,339, compared to just £99,270 in 2021. Short term liabilities – money due to creditors within one year, totalled £770,062 – more than double the 2021 sum of £300,140 – the largest of which was £402,944 due to “other taxation and social security”, while trade creditors at that date were due £157,270.

Longer term creditors, amounts falling due after more than one year, totalled £486,626, more than doubled the 2021 total of £212,698 and this includes a sum of £144,000 due to creditors who donated money through a “Share Holders” crowdfunding initiative.

Founded in a small shop in Portobello in August 2017, the company’s Montreal-style bagels and quirky marketing and social media campaigns built up a strong following.

Expansion included opening shops in Leith and Queensferry Street – both now closed – but the brand was rolled out in other trendy city locations including Bruntsfield and Stockbridge. The company’s most ambitious project to date was launched in December 2021 when Bross Deli opened, a 1,200 sq ft unit in Edinburgh’s newest retail hotspot, the St James Quarter.

*Have you worked with Bross Bagels or been a supplier and have a story to tell? Get in touch: editor@theedinburghreporter.co.uk

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