Journal of Humanities, Arts and Social Science, 2024, 8(6), 1516-1520
https://www. hillpublisher. com/journals/jhass/
ISSN Online: 2576-0548
ISSN Print: 2576-0556

The Obligation of Individual Catastrophic Illness Crowdfunding Platforms to Inform Donors

Xiaohui Wang, Jing Wang*

The College of Humanities, Inner Mongolia University of Technology, Hohhot, Inner Mongolia, China.

How to cite this paper: Xiaohui Wang, Jing Wang. (2024) The Obligation of Individual Catastrophic Illness Crowdfunding Platforms to Inform Donors. *Journal of Humanities, Arts and Social Science*, 8(6), 1516-1520.
DOI: 10.26855/jhass.2024.06.037

Received: May 10, 2024
Accepted: June 7, 2024
Published: July 4, 2024

***Corresponding author:** Jing Wang, The College of Humanities, Inner Mongolia University of Technology, Hohhot, Inner Mongolia, China.

Abstract

In recent years, individual catastrophic illness crowdfunding platforms have played a crucial role in connecting those in need with donors, effectively assisting many individuals in challenging circumstances. However, the phenomenon of platforms charging high service fees instead of "0" fees has caused a crisis of trust among donors. For example, the Shuidichou platform deducts 6% of the withdrawn amount from the funds raised by the seeker as a service fee. Despite this, many donors have reported that they did not receive any notification from the platform regarding the service fee when making donations. They believe that their kindness is unreasonably discounted, leading to increasing doubts about crowdfunding platforms. This paper will analyze the rationality of crowdfunding platform fees and the superiority of the platform, clarify the obligation of crowdfunding platforms to inform donors, delve into the theoretical underpinnings of this obligation, and present institutional frameworks for meeting this obligation effectively. Through empirical research and theoretical analysis of crowdfunding platforms, this paper aims to offer theoretical and institutional insights to enhance transparency and trust in crowdfunding platforms.

Keywords

Personal assistance, crowdfunding platform, notification obligation

1. Introduction

Currently, the public's understanding of online individual catastrophic illness assistance is relatively vague, with many people simplistically viewing it as a charitable act and categorizing internet crowdfunding platforms as purely charitable platforms. This misunderstanding has led to a series of problems, seriously affecting donors' trust in crowdfunding platforms and hindering the benign development of individual assistance efforts. Recently, several donors posted online claiming that some crowdfunding platforms require donors to pay additional fees as "platform operation support fees" without their knowledge, sparking widespread discussion (Zhao Li, 2024). Additionally, some crowdfunding platforms deduct a certain percentage of the funds raised by the beneficiary as their service fee. However, the location of the platform's fee statement is obscure, and most donors do not notice it when making donations. They often donate directly after clicking through, only to later discover that the platform intends to charge a high service fee. In light of these circumstances, some donors feel deceived, arguing that crowdfunding platforms, as charitable platforms, should not charge any service fees, and that the platform's actions completely discount donors' generosity. Some donors also express that although their donation amounts are not large, they hope that all donated amounts will be used to help the beneficiaries. They understand that platforms need to cover operating costs but wonder if it's possible to clearly inform donors before donating? Can the platform clearly inform donors of the percentage and amount deducted from donations?

The fundamental cause of the above issues lies in the contradiction between the dual nature of crowdfunding

platforms and the incomplete public understanding of their positioning. Crowdfunding platforms are not traditional charitable platforms; they are commercial entities that are profit-oriented, but their fundraising services are philanthropic. However, in reality, many people often misunderstand online fundraising activities, viewing them as purely charitable acts and believing that the services provided by the platform are free, overlooking their corporate operational characteristics and the costs and investments behind them. Due to this misconception, some crowdfunding platforms fail to fully inform donors during the donation process, leading to donors unknowingly paying "support fees," or the platform's related information being difficult to identify, making it hard for donors to understand the specific components of their "donation." This creates a sense of being deceived and concealed among donors, which, in the long run, can affect the platform's credibility.

2. Analysis of the Superiority of Individual Catastrophic Illness Crowdfunding Platforms

The nature of individual catastrophic illness crowdfunding platforms can be summarized as "public welfare + commercial" on the internet. As a commercial entity, requiring crowdfunding platforms to provide free services while also holding them accountable may lead to a mismatch in rights and responsibilities (Ma Jianyin, 2020). Therefore, if charging fees can promote the improvement of service quality, ensure the operation of the platform, and ensure that the funds are used in accordance with the donors' wishes, it is acceptable to charge service fees. When platforms start charging service fees, do they still have advantages over other forms of fundraising? For individual catastrophic illness crowdfunding platforms, is it about receiving a red card or rebuilding trust? It depends on whether they bring more benefits to society fundamentally. Despite being heavily criticized, it cannot be denied that there is a real need for individual catastrophic illness crowdfunding platforms, and they are difficult to replace (Zhang Teng, 2021).

First, China's unique interpersonal society means that donors are often acquaintances. The rapid development of online individual catastrophic illness assistance is due to its adherence to the social relationship logic of expanding outward from the family core. When facing difficulties, Chinese people often prefer to seek help from family and acquaintances; similarly, donors also tend to lend a helping hand to close acquaintances. According to a study on public donations in China, internet individual assistance crowdfunding platforms have become the main channel for public donations in China, with about 55.5% of the public choosing to donate through such platforms (Wang Haiyi, 2023). This donation behavior, which clearly favors platform selection, is closely related to China's unique culture of trust. Typically, people find it hard to trust those outside their own families and relatives. Trust is a key factor influencing donations; people often form a sense of trust before donating.

Second, the platform's specialization alleviates the embarrassment of the requester. Individual requests are voluntary, with the requester initiating the request and the donor donating voluntarily, and the platform can be seen as a mouthpiece for the requester. This approach not only reduces the requester's interpersonal and donation costs but also increases the likelihood of successful donations. Individual requests on social platforms do not require immediate interaction, so requesters do not have to worry about rejection and donors, as donating is seen as a default form of assistance, alleviating psychological burdens. Furthermore, donors can donate through simple and efficient electronic payment tools on mobile devices, without having to pay bank remittance or logistics fees, increasing accessibility and reducing donation costs (Wang Haiyi, 2023). Additionally, by using specialized platforms, requesters can instantly convey their current difficulties to those around them, avoiding the embarrassment of seeking help from a few specific individuals and giving social relationships a great opportunity space use strong relationships to empower weak social relationships. For example, upon learning about the project, some members of strong relationships may generously donate based on their trust in the sharer, while others may verify and share the information again. New sharing behaviors may lead to new donations, aiming to maximize the level of assistance through this interactive structure (Zhou Jun, 2020).

3. Theoretical Basis of Crowdfunding Platforms' Obligation to Inform Donors

3.1 Based on the Intermediary Contract Relationship

The Civil Code stipulates that an intermediary contract is a contract in which the intermediary reports the opportunity to conclude a contract to the principal or provides intermediary services for concluding a contract, and the principal pays remuneration. Crowdfunding platforms play an important role in the process of individual catastrophic illness assistance, acting as both the agent of the requester to invite donations from donors and the agent of the donor to transfer funds to the requester, thereby facilitating the assistance process. In this process, the platform serves as a

connector, with its role being that of an intermediary platform.

According to a typical intermediary contract, if the intermediary facilitates the conclusion of a contract, the principal should pay the agreed remuneration. In the field of crowdfunding for individual catastrophic illness assistance, various crowdfunding platforms have begun to charge service fees or collect support fees in other ways. Even if a crowdfunding platform does not charge an intermediary fee, the platform can still receive remuneration. For example, during the interval between receipt and expenditure, the platform can retain the interest earned on the funds raised, and this accumulated interest can be substantial over time (Li Xiyan, 2022). The remuneration obtained by the platform, whether it is deducted from the funds raised by the requester as a service fee or induced by the platform to purchase other services, is provided by the principal, namely, the donors in the individual catastrophic illness assistance behavior. The Civil Code stipulates that an intermediary should truthfully report relevant matters concerning the conclusion of a contract. If a crowdfunding platform fails to provide necessary prompts and notifications to donors regarding its charging behavior, it cannot guarantee donors' right to know, and the platform cannot fulfill its obligation to truthfully report the conclusion of a contract.

3.2 Based on the Donation Contract Relationship

Some scholars believe that crowdfunding platforms for individual catastrophic illness assistance are similar to community organizations and news media in the past, and consider the relationship between the platform and donors as an altruistic donation contract. In this relationship, the crowdfunding platform acts on behalf of the donor to deliver the donation to the requester, making the requester a third party participating in the contract, and forming an altruistic legal relationship. The relationship between the donor and the requester is closely linked by the donation contract, and the establishment of this relationship for the donor depends on two main reasons: first, trust in the information about the requester displayed by the platform, and second, trust in the altruistic nature highlighted by the platform. The crowdfunding platform plays an assisting role in the fulfillment of this donation contract, demonstrating its charitable nature. However, in reality, most donors perceive crowdfunding platforms as purely charitable platforms and are unaware of their commercial nature. The general public often lacks the relevant professional knowledge to differentiate between the different aspects and functions of internet fundraising services.

Although Chinese law does not prohibit crowdfunding platforms from charging fees, based on the special nature of crowdfunding platforms, the Charity Law stipulates that platforms need to ensure donors' right to know. Therefore, crowdfunding platforms should provide necessary explanations and prompts to donors regarding the reasons for their fees, ensuring that donors engage in donation behavior completely voluntarily.

4. Institutional Choices for Crowdfunding Platforms' Obligation to Inform Donors

4.1 Clarifying the Platform's Nature and Correctly Guiding Donors

The purpose of charitable organizations is to promote social welfare, while businesses aim to maximize profits. Individual catastrophic illness crowdfunding platforms combine business and charity, with the two complementing each other; without business operations, charitable goals cannot be achieved (Chen Xiuping, 2020). In their promotions, platforms emphasize free fundraising, consciously or unconsciously reinforcing their charitable image. However, the commercial nature of the platform's operating entity drives it to seek monetization, which may lead to intentionally downplaying notifications to donors to raise more funds. Over time, this will only erode donors' trust in the platform, affecting the long-term development of individual crowdfunding for medical expenses. Therefore, crowdfunding platforms need to clearly inform the public of their commercial nature and optimize their page design, using technological means to provide more specific and clear notifications on the payment page. For example, at the bottom of the donation page or through a pop-up window during donation, highlight the nature, percentage, and rules of the service fee collection in bold fonts, and eye-catching colors, guiding donors to pay attention to and understand the relevant content of the service fee. The specific process plan is as follows:

(1) Notification: When donors open the donation page, a system pop-up informs them that the platform will charge a service fee, explaining the percentage and rules of the service fee.

(2) Donor Confirmation: Donors need to click the "I have read and agree" button to confirm that they have read and agreed to the platform's fee rules. Before confirmation, the system will require donors to undergo WeChat real-name authentication.

(3) Record Confirmation: After confirmation, the system automatically marks the donation as "agreed" and binds

this information with the donor's WeChat real-name information, forming a record for verification.

(4) Donation Process: After confirmation, donors can continue to complete the donation.

This approach ensures that crowdfunding platforms have provided sufficient notification to donors and also leaves a written record of the agreement reached by both parties to prevent disputes in the future.

4.2 Optimizing Regulatory Mechanisms to Promote the Donation Environment

Establishing a regulatory system led by a certain department with clear and coordinated responsibilities among multiple departments is an ideal legislative choice to enhance crowdfunding platforms' fulfillment of their obligation to inform donors (Li Dejian, 2022). Punishing violations by relevant departments can further promote the formation of a good donation environment.

Firstly, to ensure the effective establishment of the regulatory mechanism, it is necessary to clarify the responsibilities and authorities of relevant departments to avoid overlapping responsibilities and ambiguity. Secondly, effective cooperation mechanisms should be established among the regulatory departments to enhance information sharing and resource integration, forming a concerted effort. Finally, violations should be promptly discovered and dealt with through regular inspections, reports, and complaints to protect the legitimate rights and interests of donors. The specific operational plan is as follows:

(1) Determine the regulatory departments: Identify the leading regulatory department, such as the Ministry of Civil Affairs, responsible for overall regulatory work, including formulating regulatory policies and coordinating cooperation among various departments.

(2) Establish regulatory standards: The leading regulatory department should establish regulatory standards, clarifying the obligations that crowdfunding platforms should fulfill, including requirements for informing about service fees, donation purposes, etc.

(3) Technical support: The Ministry of Industry and Information Technology (MIIT) should provide technical support to ensure that crowdfunding platforms have sufficient technical means, such as pop-up reminders, information disclosure, etc., to enable donors to fully understand relevant information.

(4) Review and supervision: The State Administration for Market Regulation (SAMR) is responsible for reviewing and supervising the fee rules and implementation of crowdfunding platforms to ensure compliance.

(5) Complaint handling: Establish a donor complaint mechanism, with SAMR responsible for accepting and coordinating the handling of donor complaints to protect donors' legitimate rights and interests.

(6) Information sharing: Establish an information-sharing mechanism among departments to regularly share regulatory information and supervision results, improving regulatory efficiency and transparency.

(7) Supervision and coordination meetings: Hold regular supervision and coordination meetings chaired by the leading regulatory department, with participation from relevant departments, to jointly explore solutions to regulatory problems and challenges.

(8) Punishment measures: For violations, the leading regulatory department should specify punishment measures, such as canceling the qualification for public fundraising, fines, etc., to serve as a deterrent.

Through the above institutional design, not only can the effectiveness of crowdfunding platforms in fulfilling their obligation to inform donors be effectively enhanced, but also cooperation among departments can be strengthened to form a concerted effort, promoting the formation of a good donation environment.

5. Conclusion

In conclusion, the root of the controversy lies in the integration of charity and commerce. Although the two can be combined, charity should not become a tool for business. Donors are concerned not only about the fees themselves but also about the transparency and reasonableness of the fees. Therefore, crowdfunding platforms should ensure transparency in information disclosure, fully inform donors, and allow donors to choose whether to donate and the amount of donation in a fully informed manner. Although intentionally downplaying notifications may bring short-term benefits, such practices will undermine the public's trust in the platform and hinder the healthy development of individual crowdfunding for medical expenses. Therefore, it is necessary to regulate crowdfunding platforms' obligations to inform donors to maintain order in individual crowdfunding and rebuild the social trust foundation.

References

Chen Xiuping, Huang Wanqiu. Research on the Administrative Regulation of Internet Platforms for Personal Serious Illness Assistance—Taking Shuidichou as an Example [J]. Administration and Law, 2020, (04): 34-42.

Li Dejian. Post-Charity Law Era Private Fundraising and Its Legal Regulation - Taking Crowdfunding for Personal Assistance as the Starting Point [J]. Study and Practice, 2022, (01): 67-77.

Li Xiyan. On the Review Obligations of Crowdfunding Platforms for Individual Assistance Information [J]. Social Science Front, 2022, (09): 207-212.

Ma Jianyin, Liu Yifan. Internet Fundraising and Its Standardized Governance—A Perspective on the Ease and Shuidi Platforms [J]. Chinese Social Organization Research, 2020, 19(01): 133-168+262-263.

Wang Haiyi. Online Individual Assistance for Serious Illness: A Charity Case with Chinese Characteristics [J]. Social Security Review, 2023, 7(01): 147-159.

Zhang Teng, Liu Xiaoxu. Risks and Regulation of Online Individual Medical Aid [J]. Medicine and Society, 2021, 34(04): 129-134.

Zhao Li, Wan Peng. Donating 1 Yuan but Being Charged 3 Yuan "Service Fee" [N]. Legal Daily, 2024-01-26(004).

Zhou Jun, Bi Huirong. The Impact of Social Networks on Online Assistance Project Financing—An Empirical Analysis Based on 623 "Ease of Fundraising" Projects [J]. Hubei Social Sciences, 2020, (08): 60-67.