

BRINGING FINANCIAL SERVICES BACK TO THE PEOPLE THEY SERVE

(Letter sent to Commissioner Jonathan Hill – Ref. BEUC-L-2015-270
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Dear Commissioner,

In this first period of your term, we heartily welcomed your statements about turning the telescope round and looking at retail financial services from the point of view of the consumer. We were enthusiastic about your approach of bringing financial services back to the people they serve.

However, we are concerned that in the flagship project within your realm, the Capital Markets Union, these objectives have thus far not been addressed. The explicit ambition to tap into people's saving pools and boost retail investment is not matched by an equivalent focus on raising the bar for investor protection.

While the Commission seems to acknowledge that low investor trust is a major barrier to retail participation in the CMU, the ambition to tackle this obstacle is completely absent from the short-term priorities.

In this light, The European Consumer Organisation (BEUC) would like to make the following suggestions, which we feel are essential for restoring much-needed **investor trust**:

- Improve and **harmonise investor protection rules** for all saving and investment products, including pension products and individual shares and bonds.

The recent failure to align investor protection rules for insurance-based investment products with MiFID II only added to a patchy legal framework conducive to regulatory arbitrage. Investor trust cannot be regained with diverging rules under, inter alia, IDD, MiFID II, UCITS, KID and IORP.

- Impose effective **supervision and enforcement** by (national) authorities in retail financial markets.

While many investor protection rules have been established, there is a blatant lack of enforcement of these rules. Many member states lack institutions that have sufficient consumer protection mandates that could e.g. ban unsuitable products from the market.

European Supervisory Authorities should be strengthened so that they can fulfil their mandates, particularly in the light of consumer protection. Interaction with consumer representatives should be streamlined, e.g. when working on Level 2 legislation.

- Promote the development and distribution of **simple and standardised investment products**.

Easy access to simple retail investment products would spark real competition and bring prices and charges down for retail investors. Particularly in the personal pensions market, outcomes for consumers urgently need to be improved.

Boosting retail participation in UCITS has to go hand in hand with a reduction in the sale of Alternative Investment Funds (AIFs), which have much lower investor protection standards, to retail investors.

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- Tackle conflicts of interest when giving advice by **banning inducements**.

We would like to reiterate our demand for a ban on inducements in order to prevent the continued erosion of investor trust. Initial assessments in countries that have adopted such a ban (UK, NL) are providing evidence of a positive outcome for retail investors.

Moreover, when developing the action plan for the CMU, we hope that you will be taking the following guiding principles into account:

- Retail investment cannot by any means be regarded as a substitute for household savings held in bank accounts. Both cater for **completely different consumer needs**, and this should accordingly be acknowledged by the Commission.
- Pursuing investor protection solely by imposing disclosure and selling rules has proven insufficient in delivering good market outcomes. Mis-selling practices and overly costly products continue to erode investors' trust¹. Fixing the retail investment market will require more regulatory action, including **product intervention**.

On a final note, we would like to offer our full support in better aligning the Commission's telescope with consumer interests. We are at your disposal for any further clarification or follow up.

Yours sincerely,

Monique Goyens
Director General

C/c: - Mr Juho Romakkaniemi, Head of Cabinet of Vice-President Jyrki Katainen
- Mr Matthew Baldwin, Head of Cabinet of Commissioner Jonathan Hill
- Mr Denzil Davidson, Member of Cabinet of Commissioner Jonathan Hill
- Mr Niall Bohan, Head of Unit C1/ DG FISMA
- Ms Renate Nikolay, Head of Cabinet of Commissioner Věra Jourova

¹ 2014 survey of our Belgian member Test-Achats: <http://www.test-achats.be/argent/nc/en-direct/mon-banquier-ce-pietre-conseiller>