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EU to ban commissions for financial advice?

A vote next Wednesday (September 26) in the European Parliament's Economic and Monetary Affairs committee will prove decisive to finally ban commissions for investment advice. Ahead of the vote on the so-called Markets in Financial Instruments Directive, The European Consumer Organisation is calling on MEPs to support such a clampdown as it would help put an end to wide-scale mis-selling of investment products.

Commissions are one of the main reasons for conflicts of interest among financial advisors. They prevent intermediaries from advising their clients as to the product which best suits them. Instead, commissions trigger advice on products bearing the highest profit for the salesperson, not those which respond best to the consumer's needs.

Monique Goyens, Director General of The European Consumer Organisation, commented:

"For most people, good advice is vital when it comes to investing money. But finding good advice is like looking for a needle in a haystack because commissions influence advisors and incentivise them to put their own interests first."

"Opponents of a ban say consumers will not want to pay for advice. What they conveniently omit is that retail investors are already paying for the advice they get without knowing through charges and annual commissions on products. On top of that, they cannot be sure who the actual product is good for, them or the advisor."

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