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First step towards more impartial financial advice for consumers

A first step towards more impartial financial advice for consumers was reached today, with a new report recommending the European Commission to investigate how inducements paid to financial advisers negatively impact financial advice.

This is one of a [series of recommendations](#) by the Capital Markets Union (CMU) High-Level Forum, of which BEUC is a member. The Forum collects both industry and consumer input into how to strengthen the CMU, the EU's plan to mobilise capital by giving savers better investment choices and offering businesses more funding opportunities at lower costs.

For this to work though, consumers need impartial financial advice. The report expresses concerns about the payment of inducements, where financial advisers are paid so called 'kickbacks' to sell particular financial products to consumers. This creates a risk that financial advisers – who are supposed to advise consumers – push financial products that are in their own interest and not necessarily that of the consumer. The report calls on the European Commission to look at how kickbacks affect the quality and fairness of advice.

The report also recommends examining the impact of inducements in 'execution-only' services, where consumers purchase an investment product without receiving any investment advice. Canada [announced](#) last year that it would ban inducements to financial intermediaries who do not offer any investment advice.

BEUC has long since warned about the [quality of financial advice](#) in Europe, with kickbacks paid to financial advisers significantly impacting the impartiality of advice and have led to countless mis-selling scandals across the continent. A [study](#) by our Norwegian member *Forbrukerrådet* shows how the current inducement model tempts financial advisers to recommend more expensive investment products to consumers. Where inducements have already been banned, such as the UK or the Netherlands, [evidence](#) shows advisers recommend simpler and lower-cost investment products to consumers.

BEUC Director General Monique Goyens, and a Member of the High-Level Forum said:
"This recommendation to the European Commission is a first step to tackling the issue of kickbacks in financial advice. Consumers need to be sure that they are given fair and impartial advice when investing their money. If consumers do not feel confident investing their savings, it will be harder for European businesses to raise the capital they need to get back on track after the pandemic.

"The Commission should look to the UK and the Netherlands, where inducements have already been banned. Studies there have shown that banning inducements has both reduced conflicts of interest for advisers, who increasingly recommend better value investment products to consumers. That is why we believe it's time to extend this ban across Europe – consumers deserve fair and impartial financial advice."

ENDS

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