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Consumers potentially one small step closer to fairer and better quality financial advice

Consumers potentially came one step closer to fairer and better quality financial advice today, with a European Commission commitment to assess the 'quality and objectivity' of financial advice.

The news came as part of the Commission's **Action Plan** for the Capital Markets Union, the EU's flagship initiative to mobilise capital by giving savers better investment choices and businesses more funding opportunities at lower costs.

For Europe's economy to recover post-COVID, private investors – including families with small savings – need to be attracted to investment markets. This is currently not happening due to a lack of trust in that market. Recognising this, the Commission has promised to assess the conflicts of interests from the payment of inducements to financial advisers, otherwise known as 'kickbacks'. BEUC has already warned about the low [quality of financial advice](#) in Europe, with inducements significantly undermining its impartiality.

The payment of kickbacks to advisers leads to biased financial advice, giving a strong incentive for financial advisers – who are supposed to *advise* consumers – to push financial products that are in their own interest and not necessarily that of the consumer. This has led to countless mis-selling scandals across the continent.

The lack of professional qualifications of financial advisers in many European countries is also to blame for these scandals. With today's Action Plan, the Commission acknowledges the varying qualifications of advisers across European countries and will look to improve professional standards by potentially creating a pan-European label for financial advisers.

This will be particularly important as sustainable finance takes off. Financial advisers will need to be knowledgeable about sustainability and ESG products (that integrate Environmental, Social and Governance considerations) to be able to assess consumers' sustainability preferences. This should also be part of their professional training.

BEUC Director General Monique Goyens said: "For too long now, financial advice has failed to take consumers' needs into account. Advisers are given kickbacks to sell consumers financial products that are not necessarily in consumers' best interests. What's more, a lack of professional qualifications amongst financial advisers has left consumers with financial advice that is often biased and of dubious quality."

“Consumers need assurances that they are getting good advice when investing their money. We welcome the European Commission’s commitment to look at improving the quality and objectivity of financial advice. It’s a good first step. They should look at the UK and the Netherlands for inspiration, where inducements have already been banned. This has led to consumers being advised simpler and better value investment products. It’s now time to extend this ban across Europe though – consumers deserve better and impartial financial advice.”

Background

The Commission’s investigation was [one of the recommendations made by the Capital Markets Union High-Level Forum](#), of which BEUC is a member. The Forum collected both industry and consumer input into how to strengthen the Capital Markets Union.

ENDS

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