

Ref.: BEUC-X-2022-080

18 July 2022

**Subject : Upcoming Retail Investment Strategy: transparency alone is not an option to ensure retail investor protection against conflict of interests in the financial industry.**

Dear Commissioner McGuinness,

I am writing on behalf of BEUC, the European Consumer Organisation, to urge you and the European Commission to take an ambitious approach in the upcoming Retail Investment Strategy to protect retail investors against conflicts of interest by so-called financial “advisors”.

As you are aware, there is plenty of evidence showing that conflicts of interest in retail financial markets are a real problem for consumers. Our campaign [The Price of Bad Advice](#) provides several examples of the harm caused to consumers. Consumers regularly rate retail investments as the worst-performing market in the EU<sup>1</sup>, and the low participation rates reflect that. At the same time, the increasing need for retirement savings makes a functioning retail investment market non-optional.

Financial markets are inherently expert markets that consumers find difficult to navigate and consumer education will not change this. Past debates on this issue, where consumer advocates called for a ban on inducements and industry fought to preserve the status quo, led to the current regime of disclosures. This has proven marginally effective at best<sup>2</sup>. Providing even more information to consumers will not solve this systemic market failure stemming from conflict of interests caused by inducements and kickbacks.

If retail financial markets in the EU are ever to perform adequately, advisors’ interests need to be aligned with consumers’ expectations. If the European Commission is serious about upholding the interest of retail investors in the upcoming strategy, it must ban the inducements-based sale of retail financial products in favour of independent advice. Spending attention and time on minor reforms to incrementally improve the current, failed market structure, only takes us further down this false path.

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<sup>1</sup> [https://ec.europa.eu/info/sites/default/files/consumer-markets-scoreboard-2018\\_en\\_0.pdf](https://ec.europa.eu/info/sites/default/files/consumer-markets-scoreboard-2018_en_0.pdf) - p. 42f.

<sup>2</sup> [https://www.esma.europa.eu/sites/default/files/library/esma\\_50-165-1677\\_asr\\_performance\\_and\\_costs\\_of\\_eu\\_retail\\_investment\\_products.pdf](https://www.esma.europa.eu/sites/default/files/library/esma_50-165-1677_asr_performance_and_costs_of_eu_retail_investment_products.pdf)

Jurisdictions like the United Kingdom and the Netherlands have conclusively demonstrated that this is effective and concerns such as the “advice gap” did not hold up to scrutiny<sup>3</sup>.

I understand that this would mean a significant change in the retail investment market. This is necessary because consumers need this market to change significantly to produce adequate results, especially in times of economic uncertainty.

Any package of measures adopted for the Retail Investment Strategy must stop conflicts of interests. This is also needed to ensure consumers play their part in the transition to a more sustainable economy by being offered products that meet their expectations and not the economic interests of financial advisors. If an ambitious reform is not an option for political reasons, then we consider it would be better for consumers if the Commission refrains from acting, rather than to expend limited resources of public attention and political capital on minor disclosure-based changes which would only cement the market in a state of dysfunction for even longer.

We count on you to ensure consumers will be at the heart of the Retail Investment Strategy.

It goes without saying that we are keen to support you in this mission and remain at your and your services’ disposal to help you fulfil this mission.

Please be informed that this letter was also sent to Executive Vice-President Dombrovskis and Commissioner Reynders.

Yours sincerely,

Monique Goyens  
Director General

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<sup>3</sup> Financial Advice Market Review (FAMR); “Final Report” (2016), “Baseline Report” (2017) & “Progress Report” (2017).